CREDIT

and Financial Management

JULY, 1943

O thus be it ever, when free men shall stand
Between their loved homes and the war's desolation!
Blest with vict'ry and peace, may the heav'n rescued land
Praise the Power that hath made and preserved us a nation!
Then conquer we must, when our cause it is just,
And this be our motto, "In God is our trust!"
And the Star-Spangled Banner in triumph shall wave
O'er the land of the free and the home of the brave.

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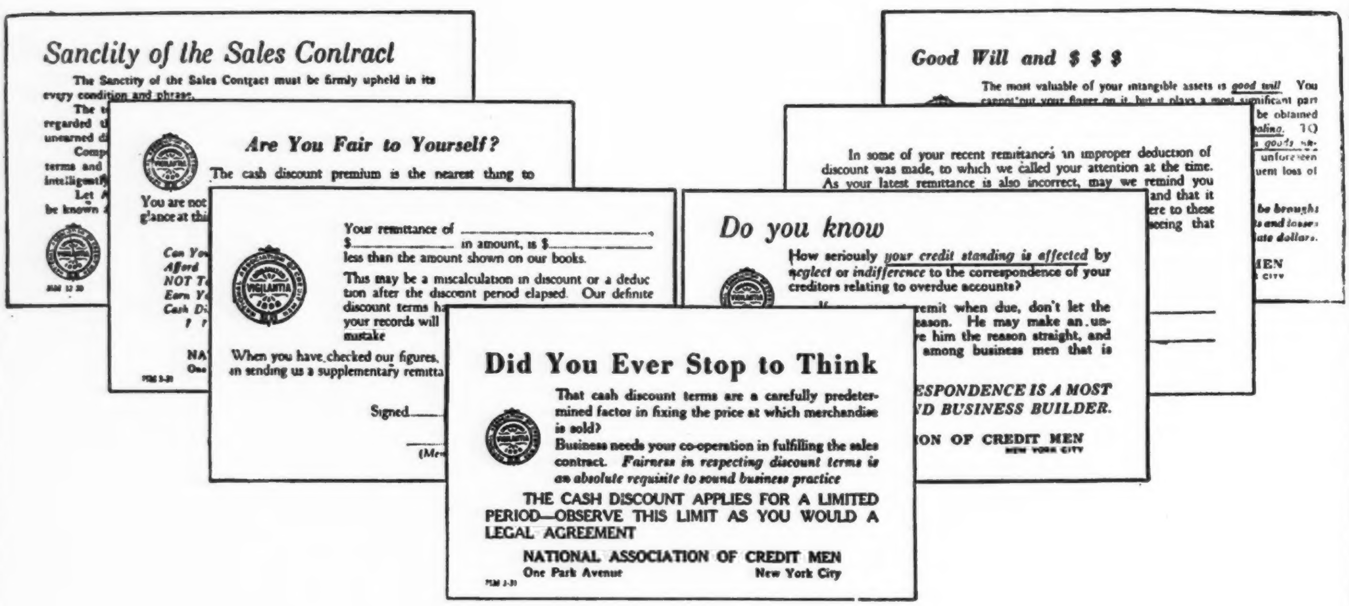

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CREDIT

and Financial Management

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Richard G. Tobin
Editor and Manager

Clifford T. Rogers
Advertising Manager

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The Odds Favor Small Business

The casualties of small business organizations began on a large scale in the early twenties. First the era of mergers and consolidations — later mass production and new methods of distribution caused many small businesses voluntarily or involuntarily to close their doors.

These causes, to a lesser degree, are continuing. At the moment you can add the war as taking a substantial toll of the smaller business organizations.

Because of the diminishing number of small business institutions it is a general impression that small businesses are just naturally doomed. Much of the business news has carried that implication.

The truth of the matter is that many of the efficient small businesses in normal times have a much better opportunity for making a success than the larger corporations. They are not confronted with some of the labor problems the larger organizations must face. They have the facility to shift quickly to meet current trends. They have the ability, without disrupting their productive or distributive forces, to render special services which prove too costly to the larger institutions. They undoubtedly will have, in the course of time, tax advantages and relief from the many regulatory measures applicable to larger businesses.

It is time that the constructive opportunities for small business be emphasized and that the gloom prophets cease their predictions that small business, irrespective of how efficiently operated, is on the way out.

If a way can be found to bring an efficient type of management to many more small businesses it is quite likely that the small business institution in the future will ask no quarter and give no odds to the larger establishments.

Henry H. Heimann

Planning for Peacetime Credit

Reduction in Credit Losses an Important Possibility

By G. C. KLIPPEL
Credit Manager, Van Camp Hardware & Iron Company, Indianapolis

In our industry meetings we discuss problems of and plans for our individual industries, and it seems only logical that for the good of the whole, some coordinated program of activity will be most desirable. Basic credit principles do not vary between industries, so planning in line with fundamentals should be universally acceptable.

We of the credit profession can justify our business existence only so long as we contribute something to the realization of the major ambition of every business venture—profits. Every one of our activities must be directed toward the goal of profits. There are two main highways along which we can travel to our goal. One is the way of direct profits through increasing sales, the other reducing credit losses. Most of us move along both roads simultaneously, and, as expert credit practitioners, determine the proper speed for safe travel.

A Difference in Credit Losses

FEW of us realize that some, or a certain class of credit losses, are justifiable because they are a minor though direct cost of really constructive credit practice that, over all produces more than compensating profits. Because of this, it seems to me that we have over the years permitted the term "credit losses" to be used too freely. Possibly we should insist that there be a break-down of the figures of credit losses and determine the origin of, or the reason for them. I have for years argued that some of the so-called credit losses were actually advertising, promotional or sales losses, and that true credit losses are only resulting from careless, unprofessional analysis; or bad judgment; or failure to have and to use the necessary tools of the skilled craftsman.

To make my point, let me call your attention to two situations entirely dissimilar yet each resulting in a so-called credit loss. A credit man in the Petroleum Industry establishes a credit line for a station in a location where they need representation and distribution for competitive reasons. He knows and states frankly that the credit is hazardous, delinquency is expected, and the possibility of loss very great. Credit approval is not based on credit factors justifying such approval, but rather on factors arising from advertising, sales or promotional requirements.

Another credit man, possibly in your Industry, establishes a credit line without information as to financial condition, operating progress, and paying habits of the customer; or, having the information, does not know how to make a professional analysis of it. Assuming that a bad debt results in each case, is it fair to throw them both into the one kettle and call the whole thing "credit losses," particularly if our progress professionally is to be judged by the overall result as compared to the yardstick of "maximum profits with minimum losses."

On the other hand, many credit men have excused losses on the theory that pressure for sales volume, representation and advertising have justified certain bad debts, even though no effort to select the better of the weak ones has been made. Surely a certain amount of selectivity is of great importance *regardless* of the urgency for distribution. For such selection information is necessary, and information, being one of the most important tools of our profession, should be the subject of greatest concern to us.

The Tools of Our Profession

PERMIT me to critically discuss all credit losses—those that are justified as sales or promotional expense, and those inexcusable because they are the result of carelessness, of unprofessional attitude, or a lack of knowledge, and unwise decisions based on the lack of tools or inability to use them properly.

To sensibly plan for peacetime, either as individuals or as Industry Groups, our deliberations must revolve around the two major factors —what are we expected to accomplish and what tools do we need— and from those deliberations should come a definite program which will aid our efforts to do a better job. We must not be lulled into a feeling of immunity by the present unprecedented condition and liquidity of business and individuals generally.

History has proven that it will take more than a war to change human nature and business fundamentals and practice. People are going to be just about the same so far as their reactions, their desires and their in-

stincts are concerned, after the war as they were before the war.

Men Always Will Take Chances

UNLESS our business activities in postwar days are conducted on an entirely different basis, perhaps under some new method or direction which will eliminate those factors of sales pressure and competition, we can anticipate a recurrence of the same sort of situations and difficulties that we experienced heretofore. So long as we have free enterprise men will venture and men will fail and our job will still be to differentiate between those who will succeed and those destined for failure.

No doubt we all have spent too much time discussing the reasons for failures that have happened, crying about fees paid in receivership and bankruptcy estates, and condemning the processes which resulted in the distribution to creditors of a paltry 5% or 10% on the dollar. All of our discussion, legislation, and study has not resulted in any appreciable increase in dividend percentage paid. Have we forgotten the old expression "you cannot get blood out of a turnip?" As a matter of fact the loss was there *before* the case got into the court of liquidation. The true value of assets was only 10% of the liabilities, and the remainder was lost while you and I were presumably making our decisions as to procedure.

Looking at Bankruptcies

WHAT, then, can and should we do to prevent that pre-bankruptcy 90% loss? The fact seems clear that much of it grows out of sales pressure, but if we are prepared to admit that we, as credit executives, can exercise no influence on this factor, our prestige in Industry must suffer. Such part as does not grow out of sales pressure must be attributed to incompetence or carelessness, but in either event the importance—yes, even the necessity of our work may well be challenged.

To prove once and for all that something can be done, and to point the way let us make just one comparison. One of our own Association services has the record for us. As against the less than 10% dividend average through the bankruptcy courts, our own Association Adjustment Bureaus have proven their ability to return an average of from 30% to 35% to creditors. It seems to me reasonable therefore, that we as individuals and as industries could profit much by utilizing the facilities of our Adjustment Bureaus, or at least try this method in every case before resorting to or participating in a bankruptcy action. But a fact of greater importance to us is that one of our member owned and member operated service units proves the proper approach to our problem. What justifiable excuse have we for taking any loss? Is it sufficient that our firm has set up a reserve to cover our mistakes? Or that we didn't have time to lend a hand in promoting those services which would make the necessary information available to us?

"Appraisal of Post-War Credits"

by E. William Lane, Treasurer,
American Screw Company, Providence

—will appear in the August issue of "Credit and Financial Management".

This problem of what credit executives will face after the war is a very important one and the ideas presented by such experienced credit executives as Gus C. Klippel in this issue and those to be presented in August by Mr. Lane are worthy of deep study by all active credit men.

Elements in Failures

WITH few exceptions there are two elements of surprise to creditors in every failure: the number of creditors; and the total amount of claims. The very fact that we are surprised by this information is proof that we did not have it in advance. I repeat right here what I have said so many times in the past. In theory, I see no reasonable excuse for any true credit loss. Given certain conditions, and by that I mean the tools the professional credit executive needs to properly decide the issues, and assurance that the tools are proper for the work they are to do, credit losses will cease to exist.

How else can we explain the fact that the students in my classes at Butler University (and they are beginners studying theory and principles) will invariably reject the application for credit after analyzing the complete information and condition of one who has failed subsequent to the date of the figures and reports that I submit to them. I do not pick out any certain cases—I take all failures on which subject a financial and operating statement is available and prepare a Credit Interchange Bureau report showing all the creditor's experiences revealed by the records of the liquidation. (Perhaps I should explain that my work at Butler University is just a hobby—I still earn my bread and butter at the credit desk and devote most of my time to solving problems—not making them.)

Review the failures in which we have been creditors. Isn't it true that if we had previously had the true facts of the customer's financial condition, a complete payment record and have known the number of creditors and their experience, we would never have been creditors? We will have difficulty finding many losses that a review of the actual facts and conditions disclosed after failure will not cause us to say: "Had we known that we would have gotten out long ago."

Do We Lack Information?

WHY didn't we have these facts? And, more important from a constructive viewpoint, what can we do to get them? This is a matter which we *ourselves* control. Let there be no misunderstanding as to my intent when I refer to "we"—I mean the credit and business executives, managers of local Associations, the National Executive Manager and Officers and Directors of the National Association. Whenever we come to a full realization that we must have the proper tools to do the job we are expected to do, we will get them.

The most important thing that our

Industry Groups can do at this time in planning to best protect the interests of our companies in postwar days is to set about the organization of our activities and our cooperation with one another so that we may develop the true facts on the total number of creditors of our customers and the total of their indebtedness.

We have the equipment to do this in our own Association. Our Credit Interchange Bureaus are set up to do this important job for us. They have proven their merit. But none of us, no matter how intimately acquainted with their service and activities we may be, can as yet but meagerly comprehend how valuable they can be made to us.

Eliminate the "Surprises"

THAT value can be realized in more ways than one. We can eliminate that element of surprise I spoke of a few minutes ago. By eliminating the surprise we will logically have eliminated most of the mistakes in credit judgment. Then we have surely reduced our credit losses. We can participate constructively in the affairs of our companies by increasing volume of sales to customers of proven good record. We can reduce the cost of operating our Credit Department, and reduce our expenditure for credit information. All of this by eliminating the credit competition that exists between us which, after all, is the only alternative to our complete cooperation with one another.

Competition or cooperation — which? We can go our separate ways, seeking our information in whatever manner we choose, materially adding to the cost of such information as we are able to secure, and because of our very lack of organization, revert to prewar experiences of unexpected losses, surprises, and alibis, all of which moves our professional goal just so much further away from us. Or, we can, as individuals and as Industries, plan our work to the end that not only we, but all engaged in the handling of credit matters, are made to realize the value of cooperation to the eventual banishment of credit competition.

It was foolish for us to passively face prewar sales pressure and credit competition when cooperative effort would have given us the answer to each of them. It will be downright silly for us to face the serious postwar problems which Mr. Lane so ably presented, if we are to revert to the old competitive spirit in our credit relationships. Let there be no mistake about this. Mr. Lane left little room for doubt that postwar credit hazards will be a much greater problem than those of the past, and such being the case, it behooves all of us, as individuals and as a National Association, to get our house in order to sensibly and safely cope with the situation.

The Place of Credit Interchange

WE should have a Credit Interchange System for the exchange of ledger experience between us in which *every* reputable creditor is participating. We can and surely will have that kind of an exchange if we can eliminate just a few misunderstandings and misapprehensions.

We cannot expect a complete exchange of information with one another unless we work together through one single organization. This is most important in thinking of Industry Activity. We must realize we cannot *buy* information from one another nor should any organization sell you my information, but rather that we exchange our information freely and voluntarily through whatever organization we elect to have perform the service for us. Each of us in our own market must accept his share of the responsibility of financing this organization which will make our information available to all other creditors, and theirs to each of us.

Our share of responsibility of financing cannot be based upon the use we might wish to make of the service, because to do so would in effect force subsidies from others who have no greater responsibility than we in maintaining and supporting the organization through which unrestricted exchange is to take place.

We need this unrestricted exchange of information with one another. It offers the only prospect for reducing our losses and maintaining the full potential volume of profitable business. We have the machinery for this exchange right in our own National Association—the only organization qualified to do the job for us. Participating in this activity and working out programs to interest all others to participate should be one of the "must" items in our postwar planning.

Our Association Benefits

EACH of us should exert himself to develop our Association membership—realizing that there is no profit or advantage in mere numerical strength, but rather that there is profit to us and our companies in enlarging the scope of our service activities and thus sharpening the tools that we will need in the years to come.

Let me repeat—it is less important to study the reasons why men fail than it is to determine why we were there when they failed. It profits us little to discuss the cost of bankruptcy and receivership and complain of the meager dividends received, when records show that our own Adjustment Bureaus return four times as much to creditors. There is almost no limit to the record we can make and the saving we can realize for our employers if we in the field of credit become cooperative rather than competitive. Isn't it about time we quit fooling ourselves and trying to fool others and get down to the job of determining the true situation—fully and completely—before the losses occur?

I have given you, I hope, some idea of what I think can be accomplished through our Adjustment Bureaus and our Credit Interchange organization. There is the foundation of fact on which we can develop the broad program of research education and legislation which our National Association of Credit Men must develop and make available to us against the time when we again encounter the problems of postwar days.

Let us as Industry Groups—as individual concerns—as members of the National Association of Credit Men plan to promote the activities designed to protect our professional practice—*and further*—to insist that a clear-cut program recognizing and fostering these activities be established and promulgated by our National Association through its Officers and Directors. I firmly believe that this problem presents the greatest challenge ever confronting our Association and, having fullest confidence in that Association, know that when the challenge is accepted, we need have no fear of postwar credit hazards.

The Psychology of Credit Letters

A Discussion of Discount Abuses

By HELEN M. SOMMERS
Credit Manager, Trojan Hosiery
Mills, Indianapolis, Ind.

Cash discount is an institutional hangover from earlier business days when its purpose was to induce poor credit risks to pay promptly. Like a true hangover, it is the credit man's headache. Abuses defeat its purpose and create a set of knotty problems in judgment and diplomacy.

Who, after all, is a "chiseler?" Whoever deducts cash discount after the charge has become long past due, or takes his one or two per cent when paying an invoice billed on strictly net terms obviously chisels; but how about the customer who deducts a quoted cash discount ten or fifteen days after the discount period has expired? Is he really a "chiseler?"

Discounts Part of Costs

WE all know that the discount which a seller allows becomes part of his costs, and is reflected in his selling prices. He can borrow money at interest rates of from three to five per cent a year. He cannot, therefore, afford to pay a premium of two per cent for payment in ten days unless he has previously added all or substantially all of that discount to his selling price, so that after the discount is deducted he may still have his customary margin of profit.

Now consider such an arrangement from the debtor's point of view. If terms are 2% 10 days, net 30, and the discount has been prefigured into the price, the debtor pays the fair price for what he buys if he discounts in ten days; but if he waits thirty days to pay, and loses his discount, he is penalized at the rate of two per cent for the twenty days' difference in payment date. Two per cent for twenty days amounts to thirty-six per cent a year!

Only Part Take Discounts

IN actual practice, of course, certain modifications and less acute discrepancies may occur. Because all customers cannot discount, the seller may find from his accounting records that discount allowed amounts to only fifty per cent of discount offered, and that it is therefore only necessary to make provisions in his costs for allowing discount on half of his sales volume. In that case, the effect in substance is that the gross selling price reflects only a boost of one per cent, if two per cent discount is offered. But even then, those customers who do not have the funds to pay in ten days stand to lose at a still exorbitant rate, and are actually paying for half the discount earned by the financially stronger customers who are able to discount.

The usual case of so-called "chiseling" is one in which the debtor attempts to violate terms because he has become alert to the obvious inequities of the discount system as it is practiced today.

What can we do about it? We could be lenient, and allow a short period of grace before enforcing terms upon the debtor who does not pay in ten days, but in doing so, we would only cooperate with him in his attempt to break down the terms, and would defeat our whole purpose of offering discount as an inducement for early payment. Or we could reduce that thirty-six per cent penalty to a fair one of, say six per cent per year, by offering terms like 1/3 of 1% 10 days, net 30! Ridiculous? Yes, as long as our competitors continue to offer much more attractive rates.

An Ideal Arrangement

WHAT we need to do is to eliminate the practice of offering cash discount as it is commonly understood, and substitute an arrangement that is fair to the debtor who pays early, to the debtor who pays at maturity, to the one who pays late, and to the seller himself. The ideal arrangement, and one which is already practiced by some business houses, would be strictly net terms that provide for full payment at a specific due-date, with discount deductible at current interest rates for the exact number of days charges are paid before they are due, and with interest assessable at current rates for the exact number of days charges are paid after they are due.

We should begin with a cooperative movement among all creditors to educate first ourselves and then our customers away from fancy discount rates. In those lines of business where they are traditional, there should be cooperative effort within the industry, and among competitors. Little can be done by one creditor, unless his competitors join with him to eradicate discount evils at their source.

Company Policies Differ

MEANWHILE the credit man must deal in the immediate present with discount violations according to the factors involved. Company policies vary

widely on this important subject. Some houses feel that strict enforcement of discount terms is necessary in order to discourage the possibility of more flagrant abuses.

Other houses take a broader view, and leave it to the credit man's discretion to allow or disallow unearned discount according to the individual merits of each case. In that event, he must balance his decisions on a scale weighted on the one hand with such factors as fairness, long-range profits, the value of the particular customer who has transgressed, and the maintenance of good-will; and on the other hand with such considerations as the protection of the company's rights, and the maintenance of a position of strength that commands the customer's respect and keeps him under control.

Flagrant violations, in any case, should be dealt with firmly. When the credit man finds it necessary to reject discounts, and there will be many such cases, he may want to use the most forceful form of protest and return the check for correction, or he may see fit to use a milder form of rejection by crediting the check and charging back the discount. In other cases he may allow the discount, but write the customer in an effort to train him into better habits. And in still other cases he may see fit to allow the discount and say nothing at all, in the interest of maintaining good relations with a customer who is valuable in spite of his deductions.

If his company's terms happen to be net, the credit man may have difficulty in maintaining them in the face of competition. His customers may be buying other lines of merchandise on which they are offered a discount, which they naturally then expect from all their other sources of supply. The credit man then has to do a good job of selling net terms, and he should welcome the opportunity of doing constructive missionary work in this field.

Letter writing in all these cases becomes a matter of skillful diplomacy and salesmanship. Herewith are presented effective psychological approaches to typical situations.

Three Classes of Discount Violators

FLAGRANT Violators: These are the real, inveterate "chiselers." They are the ones who are quick to take a mean advantage of the unwary in any business deal, and at every opportunity, whether it be in the form of unearned discount, collect telegrams, unjust returns sent collect, direct chiseling from the agreed price, deductions for transportation when terms do not provide for it, or the many other forms of petty larceny their fertile imaginations can devise.

They thrive on the laxity of those upon whom they impose. They must, therefore, be managed with a strong hand. Unless the credit risk is too great, their checks should be returned for correction, accompanied by a firm, straightforward letter phrased in unequivocal language.

Mine-run Violators: These customers usually send their checks only a short period beyond the discount deadline, and feel entitled to the extension. They constitute the majority of term violators. Theirs is not so much a planned and deliberate attempt to take what they know does not belong to them, as it is an attempt to slide by as an exception to the rule. They deserve the benefit of the doubt.

If your policy does not permit allowing the discount, the check can be returned for correction with a friendly letter, or it can be accepted and a charge-back invoice rendered for the discount.

Those Who Deduct Trivial Amounts and *"Handle with Gloves" Violators:* You may have cases where the amount involved is too small to quibble about, yet you wish to curb the practice. You do not wish to make a big issue out of what the customer feels is a trifling circumstance. You cannot risk making him feel cheap. Or you may have an important but touchy customer who may interpret any but the mildest treatment as a reflection upon his integrity. In such cases you can allow the deduction and write a tactful note regarding future remittances.

Three Ways to Treat Violators

Return the Check

Dear Sir:

It's just a business proposition. We know in dollars and cents just what it costs us to carry accounts on our books. We give you that in the form of discount if you choose to pay us in ten days. But, of course, if you don't pay us until fifty days later (that's really the case this time!) we can't afford to carry the account that long and pay you the discount, too.

We must therefore return your check for correction. May we have one for the full amount ($150) without further delay.

Accept the Check and Charge Back the Deduction

Dear Sir:

It's only human! We all try to watch corners and build profits by saving on the little things.

We would have been glad to allow you the discount you deducted from the check you just sent us, had it reached us within ten days from the date of the invoice, but it is now thirty days. Sorry! Get your remittance in the mail early next time and that premium for prompt payment will be yours.

In the meantime will you send us stamps for the enclosed charge-back invoice?

Allow and Write

Dear Sir:

Pennies make dollars—in profits or losses. Both of us have to watch them, for we know that the year-end showing is nothing but the accumulation of these minor amounts.

Although we are allowing the small amount deducted from your check received today, may we ask that you please watch the mailing date in the future? We really can't afford to extend the discount period beyond ten days.

What Manner of Man Is He, This Mr. Average Customer Who Takes Unearned Discount?

WHEN you sit down to write your letter, picture him before you, just an ordinary human being with an ordinary share of virtues and weaknesses. May-

be you feel irritated by his attempt to "chisel," but don't let that creep through.

Let your letter reflect a positive approach to his pride. Let it say, not in so many words, but indirectly, "You are a good fellow. You are the kind of person who does the right thing when he understands the true situation. You are fair. You would not take undue advantage. You are open-minded and willing to consider our side of the question as well as your own. Your attitude is one of cooperation, reasonableness, and all that makes for progressive and productive business relations."

Before you object to that ideal picture, I will grant you that it is quite likely that your Mr. Average Customer is not the exemplification of all those combined virtues. But there is little question that his pride is vulnerable. If you arouse it by showing confidence in his good qualities (and he is sure to have some of them) his response will be more favorable and cooperative than if you had let him feel that you consider unearned discount deductions a form of petty thievery.

Approaches That Arouse Pride

These Imply that He Is Fair, and Cooperative.

It is only a question of the proper explanation. We are sure you will look at this matter fairly as you always do.

We know it is your intention to be fair in your dealings with us.

We know you want only what is justly yours.

We are presenting this matter to you in a straightforward way, because we know you will be fair when we show you our side of the question.

We have always found you willing to give consideration to our side of any question as well as to your own.

We feel that a frank explanation is all that is necessary, for we know that you will take a fair attitude about the matter.

You are always quick to give us every reasonable cooperation. We know you will see our point of view about this.

We are confident that a straightforward explanation is all that is necessary to secure your cooperation.

Naturally you will want to adhere fairly to the terms upon which the goods were bought.

These Recognize His Importance As a Customer, and His Promptness.

The business you have given us deserves our recognition, and if the decision could be based on that, we would gladly allow the discount. However, our costs—

Your payments usually reach us quite promptly, and we thank you for the cooperation, and are glad to see you earn the discount. In a few cases, however—

Save Mr. Average Customer's Pride, Too

Don't make him feel small!

Three things will do it: The length of your letter, its general tone, or some statement that carries an implication which you had not intended.

Discount letters must be short, and, for the most part, casual. A lengthy or heavy discussion leads the reader to two conclusions:

That you over-emphasize the seriousness of a minor infraction—"make a mountain out of a molehill," so to speak.

That by attaching so much importance to the incident you are casting aspersions on his integrity, and classifying his act as one of petty thievery.

Now perhaps he does have a slightly guilty conscience that makes him over-sensitive to the implications of your letter, but that does not excuse clumsy tactics that reap only negative results. True, if you make him squirm you might get your check—but accompanied by a sarcastic letter that may go so far as to say he will not trouble you with his future business.

In addition to avoiding all unfortunate implications, it is well to clear the atmosphere of all suspicion of his motives by direct reference, such as in the first three examples shown below, or, more subtly, by attributing his deduction of discount to ordinary business motives, as shown in the other examples below.

Approaches That Save Pride

These Directly Place His Motives Above Suspicion.

We don't have the slightest doubt that you have made these deductions in good faith, without realizing that they penalize us.

We know it is not your intention to take unfair advantage.

We are sure the deduction was made without thought of its disadvantage to us.

These Attribute the Deduction to Ordinary Business Motives.

We can't blame you for trying! Discounts add up to year-end profits, and of course that is what we are all striving for.

This is not intended as a criticism. We all have to watch our profits.

It is only human. We all try to watch the little savings because they spell year-end profits, or losses. But—

We are all in business for the same purpose—to make profits. So, of course, we all watch the little items, because they accumulate into profits or losses at the end of the year. We are glad to see you earn your discounts, and we can't blame you for taking every penny you feel you have coming to you. But—

The careful way you watch your discounts is only another indication of capable management, and we are glad for you to earn them. In this particular case, however—

We want you to earn every discount you can. They mean year-end profits and I know you are watching them, just as we watch ours. In this case, however—

We can't blame you for watching these little profits.

"A dollar saved is a dollar earned" as the saying goes.

Present discount as a sporting proposition—a matter of adhering to terms agreed upon at the time of purchase. Show that the terms of sale called for certain conditions to be met by both parties to the contract, that you have done your part, and in fairness he should fulfill his part to the letter of the agreement. It is the old story again of the sanctity of contracts, and fairness is the basis for the appeal.

Show your customer also that purely as a matter of good business, you must consider what you can and cannot afford to do, and, in fairness to yourself, you must protect your interests just as he protects his.

Appeals to Fairness

The Sanctity of the Contract

The goods were bought subject to certain terms, and as a matter of fair dealing we naturally expect you to adhere to those terms when making payment.

Terms are part of the sales contract. We do our best to fulfill our part of the contract to the letter. Naturally we expect you to do the same.

Presenting Your Side of the Question

We are confident you have not considered how this affects us.

You watch your profits and we have to watch ours. It just is not profitable for us to allow discount on payments made in thirty days.

It is just a matter of what we can and cannot afford to do as a business proposition.

It is a sporting proposition. It is to our advantage if you pay us early, so we allow you a premium for payment in ten days. Naturally you couldn't ask us to allow it if the money didn't reach us until thirty days later.

This matter of discount is a fair business proposition. If you meet the terms, you earn the discount. If you don't, we just can't afford to pay it.

When you pay in ten days the discount is your premium for early payment. It is yours, and we want you to have it. When your check reaches us thirty days later, however, that's another matter. It costs us money to carry an account for thirty days, so we can't afford to allow a discount, too.

We can't blame you for wanting to take every penny of profit you feel you have coming to you. We feel that way because we have to watch our profits, too. It costs us money to carry an account on our books. If you pay in ten days, we save money, so we pass it on to you in discount. If you pay in thirty days, there is no saving to pass on to you, so, of course, we cannot allow discount.

In fairness to ourselves, we have to consider what it costs us to carry an account thirty to forty-five days.

Appeal to Fairness by Showing the Rights of Other Customers

THE average man is a little ashamed if you point out to him that he is asking for special concessions not available to others. And, conversely, refusal to allow special considerations because they are not available to all cannot be objected to on any valid grounds consistent with fairness.

The Robinson-Patman act is a legal reason being used by some to disallow unfair discounts. Emphasis is placed upon the purpose of the law—to prevent the giving of special privileges, concessions and advantages to one customer, or group of customers, not available to all.

More Appeals to Fairness

Examples Emphasizing Fairness to Other Customers.

If we were to allow you this discount, we would be discriminating against our other customers, who adhere to our terms.

Naturally, in all fairness, you don't want to ask us to make special concessions to you which we cannot make available to all customers.

If we allow discount to you, we must in all fairness make it available to all customers, and we cannot afford to do that.

I am sure you want to work with us on the same basis all our other customers do.

Of course we cannot make concessions to one customer that we do not make to another, and I know you wouldn't ask us to do so.

We ask all of our customers to adhere to these terms and, of course, in fairness to all we cannot make individual exceptions.

We have to adhere to a uniform policy, in fairness to all.

Of course you wouldn't want us to discriminate in your favor.

We know you wouldn't ask us to treat you any differently than we do all of our other customers.

Of course, in all fairness, this policy must apply to every customer.

As members of the National Association of Credit Men, we are pledged to adhere strictly to our terms of sale. Naturally this applies to all customers without discrimination, and, of course, you will agree this is only fair.

The Robinson-Patman act makes it illegal for us to allow discounts to one customer not available to another.

By the terms of the Robinson-Patman act, we could not discriminate between customers even if we were so inclined. All must be treated alike, and this applies not only to prices and terms of payment, but to discounts allowable. We, therefore, cannot permit you to discount in thirty days, when the others are obliged to pay in ten days if they wish to earn discount.

How Shall We Appeal to the Unconscionable "Chiseler"

HE only laughs at mild approaches and takes further advantage. His hide is tough. Subtle approaches fail to penetrate. Appeals to fairness are met with indifference. You might arouse his pride by a vigorous prodding, but his self-interest will soon come to the front and dominate his motives.

(*Continued on Page* 31)

Trends of Taxation During and After the War

A Discussion of How Tax Plans Will Affect Business in This Nation

In many enterprises the Government has a greater stake in the profits than the stockholders. From a mere trickle the tax flow has become a mighty river. Put otherwise, many individuals and corporations are primarily trustees or custodians for the government of their profits or income, since the bulk of it must be paid over as income or excess profits taxes. The so-called "owner" has become a mere junior partner in the division of the income. Where this tendency will carry is probably the principal problem of many a business. If it is possible to forecast with any degree of accuracy what may be expected in the tax situation, the effort will be well worth while, since much more can be done to cope with a situation which is anticipated in advance than one which already exists.

Fortunately it is possible to foresee probable future trends in taxation without becoming too much of a seer. There are two basic reasons for this: One is that tax legislation does not spring full-fledged into being, but is the result of agitation and debate, generally over a considerable period of time. The process, therefore, becomes one of evaluating existing proposals and discussion, rather than predicting things purely *in futuro*. The second reason is that since taxation is governed largely by the economic and political environment, future taxation is necessarily circumscribed by present conditions which limit future developments to a defined field.

The writer makes no claim to any special sources of information. What is here said is worthy of consideration only if and to the extent that it represents logical deductions from premises which are known or available to all.

By RALPH R. NEUHOFF
Lecturer on Taxation, Washington University School of Law, St. Louis, Missouri

Taxes in Our Economies

TAXES, government borrowing, and the many transactions involved in supplying the requirements of civilians for their daily needs, are interrelated at all times, but especially so in time of war when the diversion of production to war goods leaves an absolute shortage of civilian goods at the same time that it increases the potential purchasing power by the gainful employment of many who were formerly not wage-earners and by the increases in salaries and wages of the working classes generally. This disparity is frequently referred to as the "inflationary gap."

To a certain extent, taxation and borrowing by the government are substitutes for one another, since both put money into the Treasury. The velocity of circulation of money has a great effect upon the efficiency of a tax law. Inflation, by increasing the cost of what the government must buy, necessitates the raising of larger sums by taxation or borrowing, or both, which in turn have inflationary or deflationary effects. Accordingly, taxes, government finance and inflation are inextricably mingled and any discussion of one must involve the others.

Basic Assumptions

AS a basis for discussion of the trend of taxes during and after the end of the war, it seems reasonable to make the following basic assumptions. While these assumptions do not at present writing seem particularly rash, it is recognized that they affect the validity of the conclusions drawn below.

It is assumed that while the war lasts:

1. The damage to the economic fabric caused by the war will vary only in degree and not in kind from what has been experienced down to date.
2. Severe controls on purchasing, distribution of goods, salaries and wages, mobility of labor, will be continued for the purpose of mobilizing the entire economy for the war effort.
3. There will be a creeping inflation but not a runaway inflation.[1]
4. The battles of the war will be fought abroad and not at home.

Based on these assumptions, it seems reasonable to expect the following results while the war lasts:

1. A high level of output of war goods and consumers' goods, the proportion of war goods as against consumers' goods increasing as time goes on until victory is definitely in sight.
2. A high national income, measured in dollars, steadily increasing as long as the war lasts.
3. Ever increasing government debt with only moderate stiffening of interest rates as times goes on.
4. The government debt will be internally owned.

Consequences During War

GIVEN the foregoing conditions, income and excess profits taxes, and estate and gift taxes will be increasingly effective in terms of dol-

[1] Deliberate adoption of inflation during the first period of a war is a natural device. Paul Haensel: War Taxation, *Taxes*, February, 1941, citing Prof. Hort Jecht: Kriegfinanzen (published in German) Fischer, 1938. The same suggestion made in my address "Taxes, Living Cost and Defense," reported in St. Louis *Daily Record*, February 3, 5 and 6, 1942, met with considerable objection from correspondents. See also Henry F. Grady, British War Finance 1914-1919 Columbia, 1927, p. 144, in which he states that at the start of World War I the financial interests of London chose a policy of inflation as an alternative to depreciation in the value of all fixed-interest bearing securities.

lars, because as incomes get higher, the graduated income taxes and the excess profits taxes take a larger and larger percentage of the whole income. The personal income taxes are levied in brackets of given amounts expressed in dollars. An increase of individual incomes of 25%, for example, would increase the productivity of the income tax many fold—all of the increase falling in the higher brackets. Likewise, the exemptions from excess profits tax, whether based on invested capital or on the base period income, remain stationary while the income of corporations rises, throwing an ever-increasing proportion of the income into the 90% bracket, or, if we give effect to the postwar refund, the 81% top bracket. All of this occurs automatically under any given rate schedule and *without any change of rates provided by law.*

To generalize, an inflation of national income automatically makes the income tax and excess profits tax disproportionately effective in something like a geometric, as opposed to arithmetic, ratio.

Estate and Gift Taxes

WITH respect to estate and gift taxes, there is a similar but less marked, effect. The increase of national income is likely to have some effect in the market value, expressed in terms of dollars, of all of the property in the country, and, therefore, in the market value of the property passing by death of the owners in any particular year. During this war, however, prices of real and personal property have been largely held down by legislative devices such as rent control, price ceilings, and extraordinarily severe taxes on corporations, with the result that the usual inflation of capital values, which accompanies an increase of national income, has occurred only to a limited extent. Accordingly, the increased productivity of the estate tax has not occurred to the same extent as would otherwise have been the case. However, some increase in values has taken place and this has increased the productivity of the estate tax. Even if the rates are not increased in the future, any future rise of values of property will necessarily be accompanied by a disproportionate increase of estate taxes for exactly the same reason as obtains in the case of the income tax.

What of Government Credit?

IF the taxes become increasingly effective as just explained, there is every reason to believe that government credit will remain good and that larger and larger amounts of public debt can be sustained without any great diminution of confidence in the security and without the necessity of paying substantially higher rates of interest.[2] It is the experience of nations, however, that as a war progresses and the public debt becomes larger, interest rates rise to some extent. That may be looked for here and indeed has already occurred to some extent. Government bond yields are considerably better than they were a year ago.

There are some weaknesses in the present government financing program. Too much of the government debt is short term, which means an ever-increasing turnover of new financing. No doubt this feature has facilitated purchases of government obligations by banks and institutions. At all events, a great proportion of the new issues is being taken by banks, which is itself highly undesirable. Out of the $18,533,000,000.00 raised in the Second War Loan recently completed, under $3,000,000,000.00 came from individuals.[3]

There has been criticism that too much of the government expenditures has been raised by borrowing and too little by taxation,[4] but it would appear that the present proportion of 2/5ths from taxes and 3/5ths from borrowing is still a manageable proportion. No government fights a war on taxes alone.[5]

Corporation Rates

IT is not likely that corporate excess profits tax rates will be increased, for the reason that they are already at the point of diminishing returns. A top bracket of 90%, with a post war refund of 10%, making a net of 81%, leaves too little for the stockholders to insure the most economical management.[6] Furthermore, it destroys the incentive of corporations to risk capital to make profits where too large a portion of the profits will enure to the tax gatherer, while the losses will, by and large, fall principally upon the stockholders.

When the detrimental effect of this kind of taxation is realized, it may result in reduction of the top excess profits bracket either directly or by increasing the postwar refund, the resulting loss in revenue being made up in either event by increasing the corporate income tax rate from 40% to, say, 50%. How high a rate can be made before it destroys the incentive for economical management is uncertain and varies with different persons, but a 50% stake in the profits, especially if the high tax rate seems relatively permanent, is ample to insure zealous management. Congress apparently thought that a 19% stake was sufficient, but in this experience is proving otherwise.[7]

The arguments sometimes made that: (a) patriotism should induce management to conduct business just

[2] "After the War—Full Employment" by Alvin H. Hansen, National Resources Planning Board, January, 1942, p. 5.

[3] Newsweek, May 31, 1943, p. 66.

[4] Ibid.

[5] A very good discussion of this whole problem is found in Harris: Economics of American Defense 1941, ch. 8. Germany now raises less than one-third of the war costs by taxation and more than two-thirds by borrowing. *Ebenstein* the Nazi State, 1943, p. 262.

[6] The present vogue for pension trusts in coporations is traceable directly to the high corporate excess profits tax rates enabling the management to argue that the "government bears 81% of the cost." There are now two kinds of dollars: a dollar before taxes and a dollar after taxes.

as zealously under a 90% tax as under a 20% tax and (b) that "the profit should be taken out of war"[8] are beside the point so long as the legal and ethical duty of management to its stockholders is predicated upon the profit motive. So long as the law and custom remain as at present, no manager, however patriotic, will dare deviate widely from the traditional "selfish" motivation of conduct of business.

Is Capital Base Proper?

THERE is serious question whether any option should be given under the excess profits tax for computation (a) under an earnings base, or (b) under an invested capital base. If the base period earnings are a proper method of measuring "excess profits" due to the war, why complicate the issue by an option to use an invested capital base? If invested capital is a proper criterion, why not *require* its use?

As a matter of fact, a capital base is wrong in theory. If you use the present value of the capital, you are arguing in a circle because higher profits mean that the plant producing them is worth more, and this would eliminate "excess" profits. If you avoid this dilemma by using the "historical" invested capital as is done in the present Revenue Act, then you are using a wholly illogical criterion because two identical concerns of identical present net worth will be differently taxed merely on account of a different financial history. A tax based upon an invested capital base is a concealed capital levy and penalizes efficiency.

If we do rely on earnings as a base, the credit should be 100%, not 95%, of the base period earnings. Why deduct 5% in determining "excess" profits due to the war?

Relief Provisions Inequitable

THE so-called Relief Provisions[9] were inserted to obviate the harshness and inequity of the law, which should have been avoided by a proper set-up in the first place. They have introduced new complications and inequities. On the whole, it is probably not an overstatement to say that the Excess Profits Tax Law, as at present constituted, is wholly inept and entirely too complicated.

One reason why it is feasible to levy extremely high taxes on corporations is that corporate property represents savings. Even if it were entirely confiscated, it would be somebody's savings or accumulated capital which was confiscated rather than their living expenses, et cetera, which would be confiscated if, for example, all bank accounts of individuals were confiscated. The fact that the money was "invested" in corporate stock is some indication that the money was not needed currently for rent, food, education, and similar uses.

This is no argument in favor of such confiscation. It merely explains the complacency with which the public views confiscatory taxation if it is directed only at corporations. It should be noted also that too high corporation taxes tend to drive business into other forms, such as the partnership or sole proprietorship, to this extent defeating their own purpose.

Individual Rates

IT is unlikely that the higher brackets of individual income taxes will be increased.[10] Any increase would have to occur in the lower and middle income group where, it must be confessed, an increase is still possible[11] although perhaps politically unlikely. "Diminishing returns" applies here also but to a lesser degree. The average individual will receive his income substantially as before even though the current rate of income taxation leaves him little net. There is always the hope that the high rates will be temporary, and any expedient adopted to cut down income for the present may affect income in later years adversely when, presumably, the taxpayer would again be able to enjoy the income with lesser deductions for personal income taxes.

A corporation executive will hesitate to recommend reduction of his salary even for a year in which the eliminated portion would be devoted preponderantly to payment of taxes, for the reason that it would be difficult to step it up again in later years. Moreover, such a reduction in the top salary would render it hard to justify the salaries of lesser officials whose compensation has always borne a certain ratio to the top salary.

The customary methods whereby individuals cut down their personal incomes are gifts of property to others, investment in tax free securities and refraining from business ventures wherein a profit may be expected. It is apparent that all of these tend to have more or less permanent adverse effects on future income of the taxpayer. Once a taxpayer becomes convinced, however, that in his particular case the high tax rate is "chronic," the discouraging effect of high income taxes will begin to take its toll.

Some Invest in "Deferred Income"

THERE has been some tendency of taxpayers who are subject to the high brackets to make investments in capital assets which do not yield any annual income but are expected to increase in value, as for example, a tract of cut-over timber land, so that the return is not reflected in current reportable income but rather in an increment which can be protected from tax as long as it is not cashed in by a sale. Even when it is realized by a sale, if the asset was held for six months, the "capital gains" provision of the Internal Revenue Code will put a ceiling on the income tax of 25% of the profit.[12]

Compulsory savings, already inaugurated under the Victory Tax,[13] will probably be extended further as the war progresses and the need for funds increases. Any inequity in application of a forced loan will be borne with greater equanimity than inequity of taxes.

There has been agitation for restoration of the exemption from normal tax of dividends received by in-

[7] "Battle Stations for All," Office of War Information, February, 1943, Chapter 7, entitled "Taking the Profit out of War" recognizes that "limiting profits is no simple matter" and "when taxes are so great that a company keeps only a few cents of every dollar of profit, the company is likely to look around for ways in which to spend that dollar of profit, even uneconomically."

[8] "Battle Stations for All," supra, p. 46. On the other hand, both Britain and Canada have imposed a flat 100 per cent tax on excess profits with a post war credit of 20 per cent. "Battle Stations for All," supra, p. 31.

[9] I.R.C., Secs. 721, 722.

[10] Prentice-Hall Federal Tax Service, 1943, paragraph 60,418 states that the consensus of the Ways and Means Committee of the House is that individuals are carrying about all that they can bear in the form of direct federal taxes, and that Congress is more likely to enact a general sales tax or a compulsory savings plan. The reference to "direct" taxes here is, of course, in the economic and not in the constitutional sense.

[11] The rates for individuals in the United States, even when state income taxes are added, are not as great as in other nations at war. "Battle Stations for All," Office of War Information, February, 1943, p. 34, which contains a table of personal income tax rates in the United States, Great Britain, and Canada.

[12] I.R.C., Section 117(c).

[13] I.R.C. 453(a).

dividuals. It would be much fairer than the present situation which penalizes investment in equity capital.

Estate Taxes

ESTATE taxes may be increased to some extent. The proposal that inheritances be added to incomes and taxed at income tax rates has few backers and would be decidedly unfair especially in the case of estates of persons who died in the service of their country.[14] Even a small increase in estate tax rates operates unfairly because the "take" of an estate tax ought not to depend on the particular taxable year in which a person dies.

Property is subject to estate tax only at infrequent intervals so fairness can only be preserved by uniformity of rates over long periods of time. Expediency has dictated some increase of estate tax rates in recent years[15] and may cause further increases as the war progresses and the search for additional sources of revenue becomes more intense.

New Sources

NEW sources of taxation in general are not expected to be used. The Nation already has a sufficient variety of sufficiently productive taxes. It is desirable that the fisc should not be dependent too greatly upon any one tax since this renders the productiveness of the tax subject to wide fluctuations.[16] But there are already a large enough number of sources of federal taxes to minimize this danger. Moreover, during the war it is not likely that the productivity of income and excess profits taxes will decrease, so there will be no occasion to seek new sources for this reason.

It causes confusion to tax new objects, and no new ones are available which promise to be very productive. There are two possible exceptions which will be discussed below: (a) the sales tax, and (b) a spendings tax.

Sales Tax

A SALES tax has the following advantages: (a) it helps to control inflation, especially if applied at the retail level, (b) it is easy to administer and does not require the taxpayer to engage in complicated and expensive accounting and negotiation such as is required by income taxes and, notably, by excess profits taxes,[17] and (c) it is regressive, i. e., it operates more heavily upon the smaller taxpayers who have the lower incomes, and, therefore, balances out to some extent the inherent weakness of the income tax, namely, that it is too easy on the recipients of small incomes. There is a good chance of adoption by the federal government of a general sales tax if the war is long continued.

It may be doubted whether the fight against inflation is progressing satisfactorily.[18] Therefore, because of its direct effect on inflation, a spendings tax may be enacted.[19] Such a tax can be graduated upwards and act as a supplementary rationing control. If the war is prolonged, we may expect such a tax to be earnestly advocated and probably adopted.[20]

Abolition of Certain Taxes

THE decision to abolish a particular tax is the result of many forces, so that it is difficult to predict accurately that a particular tax will be repealed even when it should be on logical grounds. However, there is sentiment in favor of repeal of certain of the so-called "nuisance" taxes which do not produce much revenue and which are troublesome to administer. Repeal is the more likely if a general sales tax is enacted.

The declared value excess profits tax is the least defensible tax which has been enacted in recent years.[21] Since it has survived attacks upon its constitutional validity, it is to be hoped that it will be speedily repealed. In effect it is at best an additional income tax and at worst an arbitrary and unequal exaction. Annual declarations now permitted by law[22] do not fully rectify the objection that under this law a good clairvoyant would be the best tax expert. Moreover, certain fiscal year corporations have an unfair advantage, since the capital stock tax is paid on a declaration made at the same time for fiscal year and calendar year corporations[23] which may bring the declaration very close to the end of a fiscal year and greatly reduce the uncertainty which obtains in case of calendar year corporations.

Collection at the Source

THE principle of collection at the source initiated by the Victory Tax[24] has already been amplified by the adoption of a modified "Ruml plan" by Congress.[25] There seems to be general agreement that individual taxpayers should pay their taxes currently rather than by installments over the year following the year in which the income was earned, but the method of getting them current has evoked a great controversy. It is, of course, quite feasible to get current without cancelling a whole year's taxes.

Collection at the source obtains the income tax as it accrues. Sale of tax anticipation bonds does the same thing so far as the bonds are purchased only by individuals or corporations to the extent of taxes already accrued. But sale of bonds which may be tendered in payment of taxes on future years' income is unqualifiedly bad. It is a form of inflation and dries up future revenues.

When Germany some years ago embarked upon this course it was rightly appraised by the rest of the world as an unsound move. It is to

(*Continued on Page* 26)

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[14] Haensel: War taxation, 19 *Taxes* 67, 122, referring to proposal of Dr. H. S. Bloch in the symposium: "Economic Mobilization," published by the American Council of Public Affairs, 1940, p. 6. Prof. Haensel points out that this was an old idea proposed by Prof. Georg v. Schanz some fifty years ago when nobody thought that an income tax would ever go beyond a five or eight per cent rate in the highest brackets.

[15] Revenue Act 1940 amended Chapter 3, Internal Revenue Code by adding Subchapter C; Defense Tax for Five Years; Revenue Act of 1941, Section 401 amended Section 935 (b) Internal Revenue Code increasing rates and repealed the 10% Defense Tax; Revenue Act 1942 eliminated the $40,000 life insurance exemption and made other changes and *increased* the specific exemption from $40,000 to $60,000, but the general effect was not an increase in the burdens of federal estate taxes.

[16] Magill: "Impact of Federal Taxes," p. 7.

[17] Magill; "Impact of Federal Taxes" states, p. 14, that the computation of the invested capital for excess profits tax may cost a large corporation $50,000 or even $100,000.

[18] See "Battle Stations for All," Office of War Information, February, 1943, chapters 2, 3, and 9.

[19] Prof. Irving Fisher has made a radical suggestion that the whole income tax be reframed as a spendings tax. Fisher and Fisher, "Constructive Income Taxation," 1942. It is not believed that the public is yet ready for this departure. Many of his arguments, however, apply to a supplementary spending tax.

[20] Speech of Chester C. Davis, War Food Administrator, reported in *Wall Street Journal*, May 26, 1943.

[21] I.R.C., Sec. 600. It is in effect a tax on bad guessing. Under this kind of taxation a good, reliable, clairvoyant would be the most effective tax expert a corporation could employ. With a single exception, the courts seem to have failed to grasp the true character of this tax and its inherent defect. See however opinion of Judge Hamilton in *Oertel v. Glenn*, 13 F. Supp., 651.

[22] I.R.C., Sec. 1202(a).

[23] I.R.C., Sec. 1203(b).

[24] I.R.C., Sec. 466(a).

[25] At present writing this act is before the President for signature. For a discussion of "pay-as-you-go" tax, see Neuhoff "Some Implications of the Ruml Plan," *Missouri Bar Journal*, February, 1943, p. 33.

Taxes as They Affect Our Customers

Points Credit Men Should Consider in Financial Analysis

By JOHN J. LANG, C.P.A.
Director, Department of Accounting,
School of Commerce,
St. Louis University

The material things that are needed by our men in the armed forces to bring Victory over the Axis must be provided through taxation and borrowing.

Your customers are taxed in numerous ways—through sales taxes, franchise taxes, use taxes, license fees, and other excise or privilege taxes paid. All these taxes are the cost of doing business and require time and effort to prepare the necessary reports.

The tax, however, that is to provide the major sources of Government revenue for the prosecution of the war, is the Income and Excess Profits Tax. These taxes have the greatest effect upon the financial statements of business enterprises, and it is proposed to discuss certain phases of these taxes, in which I believe that you, as Credit Men, will be particularly interested.

The Tax Structure

WE are all familiar with the quotation "The power to tax is the power to destroy." History records taxation from the earliest organization of society, and it has had its effect on nations and on peoples The formation of our own United States can be attributed in no small way to the tax on tea with the resultant "Boston Tea Party," leading up to the American Revolution.

With such a background, it is well to examine the foundations of our tax structure, and see the edifice that has been erected thereon.

Basically, as citizens of the United States and of a state, we are subject to the dual jurisdiction of the State and of the United States. In the Constitution, the states delegated certain powers to the United States, reserving to themselves all powers not specifically delegated. Under the several sections of Article I of the Constitution, the general power is given to Congress to levy and collect taxes of every kind and nature, without restraint, except on exports, but three rules are prescribed for their government, namely:

1. Direct taxes must be apportioned according to population.
2. Duties, imposts and excises must be uniform throughout the United States.
3. All taxes must be levied for a public purpose. (A.A.A. invalid.)

The requirement that direct taxes be apportioned necessarily made their collection slow and clumsy, and because of this Congress has turned strongly from the beginning toward indirect taxes.

Our Excise Taxes

ALL of our present long list of excise taxes have their foundation in the indirect tax group. In 1791, Congress imposed a excise tax on whiskey, and opposition thereto led to the Whisky Rebellion in 1794. In 1797 a stamp tax on legal documents and a legacy tax was imposed on transfers of property at death other than to parents, spouses or lineal descendants. Each war has brought on increases in taxes and new sources of taxation. The Civil War brought on the "probate duty," a tax on the personal estate within the jurisdiction of the probate court and a "succession tax" to reach interests in real estate passing at death. The Civil War also brought a trial of the income tax by the Federal Government. Starting in 1861, a tax of 3% was levied on the excess of all incomes of over $800 per year. In 1865, graduated rates were in effect—

5% on amount of income between $600 and $5,000
10% on amount over $5,000

The Spanish American War brought on a large expansion of excise taxes. The Supreme Court held that the 1894 income tax was a "direct tax," and, therefore, invalid without apportionment between the states in proportion to population.

In 1909, Congress enacted a "special excise tax" on corporations for the privilege of carrying on or doing business, the tax to be equivalent to a rate percent of its income. Income was only the measure of the tax and on this basis it was held to be an indirect tax and valid without apportionment. Congress proposed an amendment to the Constitution, granting the Federal Government the right to tax income without apportionment according to population, and this amendment was ratified February 25, 1913, as the Sixteenth Amendment.

Enactment of 16th Amendment

BECAUSE the income tax has assumed first place in importance as a revenue measure, it is important that we realize just what power the states delegated to the Federal Government, when they ratified the Sixteenth Amendment. The amendment reads "The Congress shall have the power to levy and collect taxes on incomes, from whatever source derived, without apportionment among the several states, and without regard to census or enumeration."

Please note that both *taxes* and *income* are plural. Thus Congress has the right to pass a normal and a surtax and a "Victory" tax for individuals, and normal, surtax, declared value excess profits tax and excess profits tax for corporations.

Also the tax may be on *incomes*—thus the allowance of "deductions" from income is a matter of Congressional grant; thus a tax on gross in-

come is not out of the realm of possibility, and the present "Victory" tax is a step in this direction.

Income has been defined by the Supreme Court as the gain derived from capital, from labor, or from both combined. Gifts are excluded. Gross income is not gross receipts; capital cost must be returned before there can be income. But other deductions are subject to the express pleasure of Congress, such as deductions for contributions, interest, taxes, losses, bad debts, net loss carry-over, etc.

Corporation rates in 1913 were 1%, in World War I the maximum normal rate for corporations was 12% with a "war excess profits tax of 80% of income in excess of either 10% of the invested capital or the average prewar net income plus a specific exemption of $3,000. For corporations having a net income in excess of $50,000, the Revenue Act of 1942 imposes a normal and surtax rate of 40% and an excess profits tax rate of 90%.

Double Taxation

THE reservation by the states of all rights not expressly delegated to the United States brings about the possibility of subjecting the citizen of a state not only to double but to multiple taxation on the same item.

The Supreme Court of the United States in a decision handed down on April 27, 1942 (Utah v. Aldrich and Harkness) holds that there is no constitutional immunity from taxation of intangibles by more than one state. Here the State of Utah was held to have the right to tax the transfer of shares of stock of the Union Pacific R.R. owned by a New York resident, notwithstanding the fact that the stock certificates and the transfer office were located outside of Utah. In reaching this decision, the Supreme Court overruled a long-standing decision of over 10 years. One thing that stands out in this Supreme Court decision is the vigorous dissenting opinion delivered by Mr. Justice Jackson, in which Justice Roberts concurred. In this dissenting opinion, Justice Jackson outlines very clearly the practical complications arising from the Court's decision.

Commenting that the Court owes all that it has of wisdom and power in the solution of the problem of double taxation and should give careful consideration to its impact on the very practical and concrete problems of states and taxpayers, Justice Jackson held that the majority decision was simply the "proverbial leap from the frying pan into the fire." Further in his opinion, he states, "Despite today's decision, I trust that this court does not intend to say that might always makes right in the matter of taxation. I hope there is agreement, although unexpressed, that there are limits, and that our problem is to search out and mark those limits."

This dissenting opinion of Justice Jackson hints at the danger of multiple taxation by states of those businesses that are interstate in character, and bringing about a condition, which an Ex-Governor of Missouri refers to as "Balkanizing the United States."

Double taxation is not limited to taxing the same income in different states. Our Federal Income Tax also taxes the same income twice.

For operating reasons, it may be advisable for a company to incorporate as separate companies, branches located in several states, owning 100% of the stock and carried on the parent company's balance sheet as an investment in such subsidiary company.

When the earnings of these subsidiary companies are passed up to the parent company, 15% thereof are again taxed to the parent company. With the ability of the government to tax 15% demonstrated, it is easy to see that they can increase this percentage and thus deal a severe blow to this class of business organization.

True it is possible for these types of business organizations to file consolidated income tax returns, but, in order to do so, they are required to pay a 2% higher rate of tax.

How Inventories Affect Taxes

INVENTORIES in trading and manufacturing concerns are not only important because of their balance sheet value but also because of the direct effect they have upon the profits of the company, as reflected in the Profit and Loss Statement.

As grantors of credit, you are interested in methods used in the valuation of inventories, as they are set out in the Balance Sheet.

Inventory controls of vital material under the "Controlled Materials Plan" and Retail inventories under Limitation order L-219 will do much to curb any tendency toward over-investment in inventory. It is of interest to you, as Credit Men, to support the government in its efforts to avoid inflation, because this always carries in its wake inventory losses and financial difficulties when deflation sets in.

The Last In First Out or "LIFO" method of inventory was first recognized in the Revenue Act of 1939, and since then numerous concerns have taken advantage of these provisions with the result that they have established a "cushion" against inflation for such part of their inventory as existed when the plan was put into effect.

Provision has also been made for those cases where the taxpayer's "base" may have been reduced by involuntary liquidation of inventory, to make it possible for the taxpayer to replace this inventory at a subsequent date.

The purpose of the "LIFO" inventory method is to eliminate fluctuations in profits and losses, provide greater stability in earnings by eliminating the effect of the difference in prices between the beginning and ending inventories.

In a period of rising prices, the "LIFO" basis of inventory permits the taxpayer to deduct his current high price inventory against current sales and if the inventory is not built-up above the "base" quantities, then there will be no occasion for companies having the LIFO basis of inventory valuation, to be faced with substantial inventory losses in a period of declining prices.

From a credit granting standpoint, this is a very desirable situation. A review of corporation reports of 1940 and 1941 discloses that corporations adopting the LIFO basis effected substantial reductions in corporate profits and resultant taxes. Except for the LIFO basis, these profits would have been taxed as realized profits which would be eliminated when prices reached the beginning inventory level.

More important than this, however, is the principle exemplified in the LIFO basis, that is, of charging against current sales the current prevailing costs, and eliminating from profit consideration that portion of the inventory which for all practical

purposes is almost as fixed an investment, in a going business, as plant and other productive assets.

Emergency Plant Facilities

IN World War I, the expansion of plant facilities required for the demands of war production, were, in the main, financed by the individual companies. Provision was made in the Income Tax Law for the amortization of these facilities, with adjustment to be made within three years after the termination of the war. Cancellation of war contracts brought on prolonged negotiations between the government and taxpayers, which involved the question of determining the amortized value of these war facilities.

The title to the property vested in the companies, and while they were able to have these plants written down by substantial amounts of amortization, it was not uncommon for such companies to find themselves handicapped by excess plant facilities.

Our present situation is most satisfactory from a credit standpoint. Those concerns who are investing in additional facilities for war production have the opportunity of amortizing the cost thereof over a period of 60 months upon filing a "Necessity Certificate" with the proper governmental agency, and, in some special cases, cost may even be amortized in a shorter period of time.

In most cases, expenditures for our larger war facilities have been erected by the government through the Defense Plant Corporation, with the leasing of the facilities to an operating company. Both of these conditions should make for a healthy post-war condition.

Excessive plant capacity can be eliminated by the government withdrawing these facilities from production, and the amortization provisions should avoid the possibility of companies having any excessive investment in fixed assets.

Unpaid Expenses—Close Corporations

UNPAID salaries, bonuses, and interest due to officers of corporations owning more than 50% of the capital stock of such corporations and included on the balance sheet as an accrued liability at the end of the corporation year, may be the basis of additional taxes against the corporation if those items are not *paid* within two and one-half months after the close of such taxable year.

Originally included in the Revenue Act of 1937, the purpose of this provision was to close the tax loop-hole of accruing items on the books of the corporations reporting on the accrual basis and getting the benefit of deductions, without the income being reported by the individual on a cash basis.

The report of the joint committee on Tax Evasion and Avoidance, August 5, 1937, recommended legislation to encourage reasonably prompt discharge of such obligations, and, as a result, the Revenue Act of 1937 included, as an amendment to Section 24, a provision disallowing these expenses under the conditions recited.

The Treasury Department has been successful in having the Tax Court sustain its strict interpretation of this statute, as to what constitutes meeting the "time" requirement and the "paid" requirement. The Tax Court has held that payment on March 16 did not meet the two and one-half months "time provision" of the statute. (Mansuss Realty Company 1-TC 128) in a calendar year corporation.

This decision is especially interesting in that the Tax Court, in being called upon to decide what constituted the crucial date when the time in a statute is designated as "two and one-half months," stated "So far as we have been able to discover, this is the only case in legislative history when a period of time is measured by statute in terms of one-half of a month."

In another case, (The Celina Manufacturing Company 47 BTA—No. 133) the Tax Court has sustained the Commissioner in the disallowance of salaries accrued by the corporation at the end of its taxable years 1937-1938-1939, for which, within two and one-half months thereafter, it issued its note in payment thereof.

This accrual was disallowed, even though the individuals in their income tax returns reported the full amount of their salaries for the year in which they were accrued by the corporation.

This indicates the extreme importance of promptly liquidating, after the close of the year, expense accruals to individuals where these individuals own more than 50% of the stock of the company.

Net Loss Carry-Over and Carry-Back

THE allowance of an operating loss to be carried forward to a subsequent year is not new. A Net loss carry-over of one year was allowed as a deduction in the Revenue Act of 1918. In the Revenue Act of 1921, a two-year carry-over was provided with similar provisions in the Revenue Acts of 1924, 1926 and 1928. That a provision of this kind is subject to the pleasure of the Congress is indicated by the enactment, in the Revenue Act of 1932, of a provision reducing the period of the carry-over from two years, then in effect, to one year, and its entire elimination by the National Industrial Recovery Act of 1933. The two year carry-over was restored in the Revenue Act of 1939 applicable to taxable years beginning in 1940.

The "Carry-back" of net losses provided in the Revenue Act of 1942 is an innovation and applies to taxable years beginning after December 31, 1940. This provision requires careful consideration, especially as to its post-war signifiance. Briefly stated, it means that corporations who have large profits in the years 1941 and 1942, and sustain a loss from operations in 1943, would be able to apply such loss to 1941 and 1942 and receive a refund based upon the such adjusted 1941 and 1942 income.

The Senate Finance Report shows the following illustration:

1941—Income $600.00
1942—Income $900.00
1943—Loss $1,000.00

Applied to:

	Amount	*Income Corrected*
1941	. . .$600.00	......
1942	. . . 400.00	$500.00

It will readily be realized how important this provision is to corporations subject to a rate of 90% on excess profits and 40% on normal profits, and how this provision (if allowed to remain in the law) will, in many cases, be a great help in bridging the post-war changeover.

For those corporations which are subject to an excess profits tax, a provision is made for a carry-over and a carry-back of any unused excess profits credit.

(Continued on Page 31)

Renegotiation of Contracts

An Analysis of Principles and Policies of the Government Departments

By EDWARD H. CUSHMAN, Esq.
Of the Philadelphia and District of Columbia Bar

In the early part of 1942 Congress began consideration of the possibilities of controlling war profits by renegotiation.

This procedure was accelerated by the decision of the Supreme Court of the United States which sustained the right of a contractor to the bonus for savings authorized by its cost-plus contract, but stated in its opinion that if the executive was in need of additional laws to protect the Nation against war profiteering, Congress had the power to make them.

Thereupon, pursuant to the Second War Powers Act, the President issued an order for the inspection of the books and plants of all companies with a large volume of war contracts, to ascertain whether or not their profits were unreasonable.

What Act Covers

TITLE VIII of the Federal Revenue Act of 1942 is entitled "Renegotiation of War Profits" and is effective as of April 28, 1942. It defines the term "department" to mean the War Department, the Navy Department, the Treasury Department, and the Maritime Commission. It implies that if the renegotiation is not voluntary, refixing of the contract by the Secretary of the Department is authorized.

The Joint Statement of Principles and Policies of these Departments states that in the event it becomes impossible to reach a mutual agreement, the case is then referred to the official of the department or the commission to whom authority has been delegated under the statute, who gives consideration to the use of such special measures as he may deem necessary or advisable. The meritorious suggestion has been made that an aggrieved contractor be given the right to appeal to the Court of Claims in event that he is dissatisfied with the decision. It defines excessive profits to mean any amount of a contract or subcontract price which is found as a result of renegotiation to represent excessive profits.

This section directs each department to insert in any contract for an amount in excess of $100,000, a provision for the renegotiation of the contract price at the period or periods when, in the judgment of the Secretary, the provision can be determined with reasonable certainty. It also has a provision requiring the contractor to insert in each subcontract for an amount in excess of $100,000 made by him under such contract, a provision for the renegotiation by such Secretary and the subcontractor of the contract price of the subcontract. The statute is so phrased that the Price Adjustment Board may claim the right to renegotiate with subcontractors even though the amount of any one subcontract is less than $100,000 if the total of subcontracts was more than $100,000 during the fiscal year.

The Joint Statement of Principles states: "Contracts and subcontracts for amounts of $100,000 or less are subject to renegotiation, unless otherwise exempted." The Truman Committee in its additional report pursuant to S. Res. 71, 77th Congress (Report No. 10, Part 5) recommends that the $100,000 exemption in the present renegotiation law should be increased to $500,000. Amendments to that effect were recently introduced (H.R. 2324, S. 992).

The contractor is required to insert in each such subcontract a provision for the retention by the contractor for the United States of the amount of any reduction in the contract price of any subcontractor pursuant to its renegotiation or for the repayment by the subcontractor to the United States of any excessive profits from such subcontract, as the Secretary may direct. The Secretary may also require a similar provision to be inserted in any agreement that subcontractor may make with anyone under him.

Sub-contractors Are Affected

EACH such principal contract must likewise contain a provision for the retention by the United States from amounts otherwise due the contractor, or for repayment by him to the United States, as the Secretary may direct, the amount of any reduction in the contract price of any subcontract which the contractor is directed to withhold from payments otherwise due the subcontractor unpaid at the time the contractor receives such direction.

The contractor is under no obligation to withhold payments to a subcontractor unless there has been a determination by the Government of the existence of excessive profits. Thus, the contractor should make payments to the subcontractor in accordance with the terms of the subcontract until such time as a determination of excessive profits under the subcontract has been made and the contractor has been directed to withhold payments to the subcontractor. If at such time there are further payments due, the contractor should retain the amount specified in such direction. If all payments have been made to the subcontractor prior to the time when the contractor receives notice of a direction for withholding such excessive profits, the contractor has no responsibility or obligation in the matter of withholding payments under such subcontract. Conversely, a subcontractor is liable to the Government only for

the repayment of amounts representative of excessive profits actually paid to him by a contractor and not for those eliminated through reductions in contract prices or otherwise.

Contracts Excluded

THIS statute directs the Secretary of War, of the Navy, of the Treasury, and the Chairman of the Maritime Commission if he decides that excessive profits have been realized, *or are likely to be realized* from any contract with his department or subcontract thereunder, to require the contractor or subcontractor to renegotiate, even if the agreement was made prior to April 28, 1942, so long as final payment thereunder had not been made prior to that date.

Payment will be deemed to have been made before April 28, 1942, although certain relatively small unliquidated items may not have been finally determined or paid for.

The exemption of contracts or subcontracts where final payment was made prior to April 28, 1942 frequently raises the question whether a series of transactions constitute one contract or several contracts. If the transactions constitute several contracts, then only those agreements on which final payment has been made before April 28, 1942 are exempt. This question arises with respect to re-orders and orders under option agreements, periodic deliveries under purchase orders, etc. A test is whether a new or additional promise is given by the contractor with respect to the additional order, or whether the additional material or work is within an option under the original contract.

The War Department has recently authorized the exemption from renegotiation of any contract which has been terminated for the convenience of the government whenever it is found that the agreement between the government and the contractor following such termination prevents the realization of excessive profits.

May Demand Cost Figures

THE Secretary has the right to demand statements of actual costs of production and such other financial statements at such times and in such form and detail as the Secretary may require. Detailed audits will not be attempted unless the information furnished by the Company appears to be inadequate or misleading.

Price Adjustment Boards and in addition thereto Price Adjustment Sections and Cost Analysis Sections have been established by the War Department.

The Navy Department has recently established a procedure tending to simplify renegotiations and to give a clearance to contractors where it is evident from the information requested preliminarily that there are no excessive profits for the period under review.

The Price Adjustment Boards reserve the right to conduct renegotiation with a company where the size of the company, the magnitude of the sum involved or novel questions warrant such a procedure, or where for any other reason it appears that renegotiation by the local Section is inadvisable.

As a preliminary, the Price Adjustment Section will desire to examine statements showing profit and loss, assets and liabilities from 1936 on, a list of salaries paid officers, a statement showing the amount of business subcontracted, and a subdivision between the business subject to renegotiation and business not subject to renegotiation.

These statements need not be in any particular form. Copies of the company's regular statements, accompanied by the auditor's comments are adequate. If further study is made it is generally necessary to make available detailed balance sheets, operating statements covering the period 1936 to 1942 with similar data with respect to the current year, information with respect to depreciation and amortization basis, lists of stockholders, officers, directors, affiliated companies, prime supply contracts, the names of subcontractors, as well as a statement of the contributions of the contractor to the war effort.

The Price Adjustment Board is required to take into consideration the financial position and overall profits, past and prospective, of the contractor or subcontractor involved, with the object of determining and agreeing upon the amount of excessive profits realized or likely to be realized from war contracts taken as a whole. The commercial business of the contractor or subcontractor involved as distinguished from his war business must be excluded. However, agreements for products or materials which enter into war production but which are not subject to renegotiation, may be included in an overall renegotiation upon request of the company whose agreements are being renegotiated.

Contracts or subcontracts are exempt from renegotiation where final payment was made prior to April 28, 1942, where the agreement by its terms provides otherwise, where the aggregate sales do not or will not in the opinion of the Secretary exceed $100,000 during the fiscal year of the company, where the agreement is with another federal agency or is "for the product of a mine, oil or gas well or other mineral or natural deposit, or timber which has not been processed, refined or treated beyond the first form or state suitable for industrial use."

Contracts placed by Defense Plant Corporation for the construction of plants, as distinguished from the furnishing of equipment and supplies, will not be renegotiated nor will contractors be required to furnish information as to their profits on those contracts.

Completed Contracts as a Yard Stick

WHILE the statute specifically exempts from negotiation contracts which have been fully consummated, and for which payment was made in full prior to April 28, 1942, it has been the writer's observation that one of the intangibles which the Price Adjustment Sections cannot overlook is the amount of profit the company will receive on contracts so completed and paid for prior to April 28, 1942, in seeking to determine what are excessive profits with respect to contracts not fully concluded by that date.

The Secretary is empowered to fix the period or periods when or within which renegotiation shall be had, and the Secretary may limit renegotiation to only a portion of the contract or subcontract. As a general rule, renegotiation will be had to ascertain excessive profits theretofore made or which may arise during the fiscal year in which the renegotiation takes place. Renegotiation will not be required for any fiscal year ending before December 31, 1941, except in most unusual cases. Renegotiation

must be commenced within one year after the close of the fiscal year of the contractor or subcontractor within which the agreement was completed or terminated.

There is first the determination of the total excessive profits from agreements subject to renegotiation during the designated period, usually the current fiscal year of the company. Where the period under examination has expired in whole or in part, the excessive profits will be a definite sum. For a pending or future period, such as the unexpired portion of the current fiscal year, the excessive profits must necessarily be estimated, based upon the estimated volume of business. Such an estimate will not be disturbed unless the actual figures with respect to cost, volume of production, etc., differ materially from the estimates.

Where the contractor or subcontractor holds two or more contracts or subcontracts, the Secretary in his discretion may renegotiate to eliminate excessive profits on some or all of such contracts and subcontracts as a group without separately renegotiating the contract price of each contract or subcontract. This is an equitable provision because it takes into consideration that there may be a substantial profit on one contract and a substantial loss on another contract during the period under consideration.

When nearly all of the war work of a company, especially a company engaged in construction, consists of a few contracts, renegotiation may be had on the individual contract basis. Likewise, contracts for architectural, engineering and management services may be renegotiated on an individual contract basis.

What Items Are Allowable

THE statute directs the Secretary not to make any allowance for any salaries, bonuses or other compensation paid by a contractor to its officers or employees in excess of a reasonable amount. It likewise prohibits an allowance for any excessive reserves set up by the contractor or for any costs incurred by the contractor which are excessive or unreasonable. Thus, only lawful and reasonable commissions, bonuses, maintenance and depreciation charges will be allowed. It is assumed that reasonable amortization of war facilities, reasonable cost of research and experimental work, and reasonable advertising expenses will be allowed.

The renegotiation authorities are not required to compute and allow the actual dollar amount of exclusions and deductions which the Bureau of Internal Revenue would allow.

Even though the contractor has no "net operating loss" to carry over for tax purposes, the renegotiating authorizes, nevertheless, give consideration, under proper circumstances, to losses incurred in prior years on contracts and subcontracts subject to renegotiation. It should not be assumed that the full amount of such losses will be allowed against profits for the fiscal year or other period under consideration, but only that they may be recognized as one of the factors in determining whether such profits are excessive.

Allowance for advertising expenses are based upon deductions allowed by the Bureau of Internal Revenue for tax purposes.

The Bureau realizes that it may be necessary for taxpayers now engaged in war production to maintain through advertising, their trade names and the knowledge of the quality of their products and good will built up over past years, so that when they return to peacetime production their names and the quality of their products will be known to the public.

Reasonable expenses incurred by companies in advertising to speed the war effort among their own employees, and to cut down accidents and unnecessary absences and inefficiency, will be allowed as deductions, as will reasonable expenditures for the promotion of the Government objectives in wartime, such as the sale of war bonds, etc.

The test whether expenditures for advertising are reasonable is whether they are ordinary and necessary and bear a reasonable relation to the business activities in which the corporation is engaged.

No Offset on High Taxes

AS a general rule, the object will be to determine what would have been a reasonable profit before federal income and excessive profit taxes are deducted. To renegotiate on the basis of allowing a company a fair profit after such taxes have been deducted would be equivalent to permitting the company to keep part of the sum which Congress has decided should be that company's contribution to the war. If the effect of a literal application of the above theory would leave the company such a small sum as might impair its incentive to proceed with war work, a determination of profits after taxes will be given greater consideration in the renegotiation.

A joint release by the Under Secretary of War and the Under Secretary of the Navy under date of February 9, 1943, states however, that profit margins on war contracts should not be increased or maintained at a high level in order to offset higher taxes. It reads, in part: "To permit such a practice would nullify the intent of Congress as expressed in the Revenue Act.

"The rate of profit made on peacetime business is not of itself the basis for profits to be made on war contracts. Because of the unprecedented volume of business due to war orders, a substantial reduction in profit *margins* below peace-time levels will usually leave contractors with an adequate *dollar* amount of profits on war work. Any single yardstick is invalid because of wide variations among contractors in investment, efficiency, past earnings, government assistance, turn-over and inventive contribution. However, in general, the margin of profit which a company makes on its expanded war sales may be limited to ½ or 1/3 of the margin of profit on peace-time sales."

Reserves for Reconversion

CONTRACTORS frequently create reserves for the purpose of reconverting their plant facilities to normal peacetime operations at the termination of the war. The departments disallow such charges for the reason that the necessity for the reconversion may never arise, the cost and extent thereof are too conjectural to warrant a present determination with respect thereto, and the unknown duration of the war precludes an estimate with any degree of accuracy of the amount of money which may be required for reconversion. The Truman Committee in its above report states that while there is certainly no justification in the allowance of excessive or padded reserves for post-

(Continued on Page 28)

Industry's Part in Winning the Peace

What the Committee for Economic Development Is Attempting

Every man in America believes, that the first concern and paramount obligation of each one of us is to help win the war. Nothing must interfere with that objective. If, however, we are to prosper in an expanding dynamic economy when peace comes, American management must start NOW working on a program that will provide jobs in civilian production—millions of them—as quickly as possible after hostilities cease. Let me assure you, there is no time to lose.

Briefly, here is the problem confronting us: In order to indicate the drastic dislocation which war has imposed on our economy, I must use two sets of figures—one for the year 1940; one for 1943. In 1940 the Nation turned out approximately one hundred billion dollars worth of goods and services, which was more than any other previous year. By the end of 1943, we will be producing goods and services at the rate of more than 155 billion dollars. In 1940 we produced only 2 billion dollars worth of war goods. In 1943 the estimated annual rate will reach the staggering figure of 84 billion—over half our total output.

Jobs for Millions

NOW let us consider people—we are vitally concerned with people, today, and particularly, in the postwar period. In 1940, 48½ million people were employed. By the end of 1943, this figure will be over 64 million. In 1940, only 400,000 were engaged in producing the 2 billion dollars worth of war production about which I spoke. In 1943 this figure will reach somewhere between 25 and 30 million. In 1940, 600,000 were in the armed forces. By the end of this year, there will be over 10 million. In 1940, 9 million were unemployed. Today, unemployment is at a minimum.

When the wars in Europe and

By C. SCOTT FLETCHER
General Salesmanager, The Studebaker Corporation, and Director of Field Development, Committee for Economic Development

Asia end, our economy will lose a customer for over half its output—the government. Many of the ten million, eight hundred thousand then in the armed forces and nearly all of the millions in war work will be returning to peacetime pursuits, eager for jobs. They will insist on them—useful jobs with decent pay and ample opportunity for advancement. Never again will doles and subsistence levels be tolerated. Jobs for these returning soldiers, and sailors and war workers must either be provided through the resources and ingenuity of business, or the government will be forced to take over.

Everyone knows we are going to win the war. The question we must ask ourselves is what we can do to see that the war "stays won." There is a growing realization that we can lose the freedom we are fighting for, not to a foreign power, but simply by default.

America gained her independence originally because the people knew what it was like to live under a system of tyranny, and they were willing to fight for a Nation and government that sanctioned liberty and gave all a chance at creative opportunity. Our people, today, however, having always lived with freedom, will not appreciate it unless it is the freedom to work and not to tramp the streets, the freedom to buy goods "as advertised," and not the freedom to look in a store window with their hands in empty pockets.

Jobs or Regimentation

IT should not surprise us that a jobless man will vote for regimentation. We know he doesn't really want it. We know he wants a freedom that gives satisfaction. We believe that a renewed freedom of enterprise will give those satisfactions. The Committee for Economic Development stands on the firm conviction that the materials are at hand to build a dynamic, expanding economy, with good jobs, at ample pay, for those who are able and willing to work.

If in the postwar period we had to provide employment at the 1943 peak, the task would be staggering. Fortunately, several million of that working force are over-age, under-age, or women who voluntarily will return to their homes. The best estimates indicate that if we achieve an employment level of approximately fifty-eight million, with a normal work week, a very satisfactory situation will prevail. Of these fifty-eight million, it is estimated that approximately two million will be in the armed forces, one million in war production, which means that civilian employment will have to be found for the remaining fifty-five million. That is nine million more peace time jobs than were available in 1940. They will have to be created either in private industry or by the government on public works projects.

A Two Year Job

IT is anticipated that even though we assume an orderly curtailment of war production and a gradual demobilization of our armed forces, these two tasks will have been substantially completed within two years. That means we have but two years to bring about the complete transition from a war to a civilian economy—two years in which to raise the output of civilian goods and services from the very low level then prevailing to the new record-breaking heights which must be reached if millions of men are not to be found walking the streets looking for jobs. Reaching that high level peacetime output is going to be

a whale of a job—the toughest assignment this nation ever tackled.

The very toughtness of this assignment should make it crystal clear that to meet it:

(1) Individual enterprise must start their postwar planning of products and marketing *now* and;

(2) The environment in the postwar period must be favorable to the expansion of enterprise. These are certainly the convictions of the businessmen and professional economist with whom I am associated on the Committee for Economic Development.

How C.E.D. Was Organized

THE Committee for Economic Development is a private, non-profit organization completely independent. It is neither an official nor a semi-official agency of government. It is financed by contributions from private business.

The idea of establishing the Committee for Economic Development originated when Secretary Jesse Jones called together a group of businessmen several months ago. Secretary Jones then suggested that a committee be organized which would accept the responsibility for assisting commerce and industry to develop means for making their full contribution to stability and prosperity through the achievement of optimum employment and high productivity in the postwar period. Out of that proposal by the Secretary came the Committee.

Not an Over-all Group

IN no sense does the Committee intend to act as an over-all postwar planning group. Its activities are keyed to the one objective of jobs in private industry.

The program of the Committee and its aims have been fully discussed with officials of government agencies interested in the postwar world. Such as the Department of State, Federal Reserve Board, National Resources Planning Board, Board of Economic Warfare, the War Production Board and also the United States Chamber of Commerce, the National Association of Manufacturers, and representatives of the Nation's leading trade associations.

The vigorous support promised by private organizations and the inter-

est and cooperation offered by the Department of Commerce and other government agencies have provided sound basis for confidence that the contemplated program can contribute substantially to the maintenance of a free, dynamic economy.

Field Development Division

THE Field Development Division has the responsibility of stimulating, encouraging and helping individual enterprises in planning their programs of products and marketing for the postwar period. In order to accomplish this, a Regional Chairman has been appointed for each Federal Reserve District. These men will appoint district chairmen, one for approximately each 1,000,000 population in their regions, who in turn will appoint community chairmen. Thus a "grass roots" approach to the employment problem will be developed. The community chairman's job is to start industrial concerns in his community, with their postwar plans. How does he do it?

At first, we did not know. So consequently, test cities were set up in Peoria, Illinois; Reading, Pennsylvania, and Wheeling, West Virginia. We also studied the organizational setups of postwar groups in Buffalo, Rochester, and Baltimore and other cities. Today, we have published the results of these tests in a booklet which is called "A Handbook for Community Chairmen." It contains a simple plan based primarily on the excellent results in Peoria, Illinois, where, as a result of their survey, they recently announced that, whereas, today approximately 30,000 people are employed in Peoria industries, it is estimated that over 29,000 will be employed by the same industries in the postwar year.

Test Made in Peoria

IN Peoria, our Chairman Walter H. Gardner organized four divisions of his committee—Action, Research, Small Industry, and Relations.

(1) Action Division to get every industry in Peoria to answer four questions as follows:

(a) What is the name of your executive in charge of postwar planning?

(b) How many people did you employ in 1940—men? women?

(c) How many employees do you have today—men? women?

(d) What do you estimate your monthly average employment will be in the postwar year—men? women

In order to start the program rolling, a meeting was called for all presidents of 45 industrial firms in Peoria, with an employment figure of 97.6%. Each one was given a copy of our Handbook for Employers, which indicates how a firm may start on its postwar planning. Each man present was also given a questionnaire and asked to answer each question, particularly the one concerning postwar employment, within one month. Each man agreed that he would cooperate and make his best estimate, although at first many indicated they could not answer the question of postwar employment until they had more information concerning government controls, taxation, etc.

However, it was explained carefully that this postwar figure was only a starting point—a target at which to shoot. Like most targets, it would not stay in one place, but would have to be revised from time to time. Many executives who were placed in charge of postwar plans in these Peoria Companies admitted that up until this time, the question of postwar planning had been mainly one of conversation, but that, as a result of being asked to give an estimate of their postwar employment, they were forced to burn the midnight oil and get down to answering practical questions on new product development, production, marketing and distribution, personnel and other subjects.

To quote Don Robertson, Executive Vice-President of the Caterpillar Tractor Company, "As a result of one month's hard work, we have now plotted our postwar course in a way which we would never had done had it not been for Mr. Gardner and his Peoria Group, representing the Committee for Economic Development."

Research Division

THE local research division has a responsibility of correlating all facts and information useful to postwar planning by individual industries and of clearing market and other information which is made available from time to time by the National Committee for Economic Development.

The Committee for Economic Development is fully aware of the importance of the legions of smaller business concerns throughout the country. The small businessman provides millions with their livelihood, furnishes the seedbed for the entire system of a free competitive economy, and is, in fact, the very foundation of the American economic system. Every possible assistance will be given them, not as a matter of any charity or philanthropy, but because they are essential to our country. If they go down, the country goes down with them, and we get the kind of consequences of which we had a small sample in the '30's. It is hoped that in every community larger industries will give encouragement and help to small industries. We are sure they are anxious to extend this aid.

All groups in a community are today vitally concerned with what is being done to maintain high levels of employment and productivity in the postwar period. Industry is a vital part of the American community, but it does not control it. Nor does its progress, alone, shape the peacetime economy. Other elements in the community are essential to the whole, and, therefore, it is the job of the Relations Division to see that they have free access at all times to the plans and the progress of the local committee.

Industrial Advisory Board

NOW we come to the functions of the Industrial Advisory Board, which is a very important part of the Field Development Division. David C. Prince, Vice President of General Electric, is Chairman; T. V. Houser, Vice President of Sears Roebuck is the Vice Chairman, so that we can have the benefit of his thinking on the problems of distribution; Pyke Johnson, the other Vice Chairman, is President of the Automotive Safety Foundation, and is probably as well-versed on the subject of Trade Associations as any man in America.

T. G. MacGowan, Manager of the Research Department, Firestone Tire and Rubber Company, Akron, Ohio, is Chairman of our Marketing Committee.

The work of this Industrial Advisory Board which has access to the

best technical brains in industry, will be worth hundreds of thousands of dollars to individual businessmen all over the country. Members of this Board were responsible for producing the Handbook for Employers.

"Markets After the War"

THEY also gave helpful criticism and suggestions to S. Morris Livingston, head of the National Economics Unit in the Department of Commerce and author of "Markets After the War." In this book it is pointed out that 55 million people working normal hours in a normal week can produce approximately 140 billion dollars worth of goods and services, and that, gentlemen, is an increase of 40% over 1940. "Markets After the War" attempts to break down this national gross product of 140 billion into 60 major industry divisions. These figures, of course, are projections not forecasts. This book has been reprinted by the Committee because its usefulness as a starter in the task of making postwar preparations.

The Industrial Advisory Board will also secure case histories of postwar planning done by individual companies and make these available to business through community committees. Studies also have been initiated to determine the type of products which will be most favorably situated in the postwar world period.

New Business Opportunities

THREE case studies have already been printed and distributed dealing with the exploration of new ideas and business opportunities for the postwar period; another, the reprint of "Business Planning Now for 'V' Day," by Malcolm P. McNair and James W. Culleton, originally prepared for the Harvard Business School; and third, a presentation of a plan developed by the Tennessee Enamel Manufacturing Company, Nashville, Tennessee.

Under Pyke Johnson, a Trade Association Handbook has been prepared and sent to 2,000 trade associations. Special trade association subchairmen have been set up in Washington, New York, Chicago, Detroit, Cleveland, and Boston. These men will assist trade associations in setting up their own postwar planning groups and secure from them addi-

tional case histories which, in turn, will be passed on to enterprises throughout the Nation. In this way, we feel each industry which has individual problems will be able to proceed to solve them more intelligently by a committee of men selected from that industry. At the present time, a Community Advisory Board is being set up which will be responsible for recommending the best procedure for setting up committees in small, medium and large-sized cities. The Industrial Advisory Board and the Community Advisory Board will, therefore, play a very important role in assisting the Field Development Division set up the best possible type of organizations to cope with the various problems in the field of postwar planning. Later, as the finding of the National Research Group are made available, they will be passed on to the local Research Divisions in individual communities, who, in turn, will pass them on to interested concerns.

Getting Ready Now

THAT, in brief, is the way the Committee for Economic Development is set up to help commerce and industry get ready *now* to supply jobs as soon as the war ends.

The prospect is agonizing—and hopeful and inspiring. It is hopeful because peace, when it comes, will find a huge pent-up need and desire for goods—and many billions of dollars of savings available to permit people to translate their desires into buying demand. Industry's problem will be to meet the demand, not to create it.

The prospect is inspiring, because at the end of the war, business will have its biggest—and perhaps its last—big chance to help put the better world for which we are now fighting on the healthy economic basis which will keep it better.

Must Be Ready Quickly

BUSINESS must be ready to act quickly and surely when that time comes. Long before peace arrives, it must have planned actively and soundly for the postwar period, and it must have planned boldly to the point of daring, aggressively to the point of urgency, courageously to the point of audacity, and intelligently to the point of brilliance.

For once peace comes, industry must be ready to race to high levels of employment very quickly. At that time, we will be in what is called an economy of deferred demand. The problem will be to meet the demand. After that, it will be a question of sustaining the demand, and this means maintaining millions so that there will not be fear, delusionment and want. This is another subject, however, which I will not discuss today.

This problem is a great challenge—a challenge to business. And when I say business, I mean *YOU*—and every man in this room. Each one of you must play your part. It is an obligation that certainly rests upon us and which we cannot escape. Americans are fighting and dying all over the world to preserve your freedom and mine. We must assure them a better postwar world, one not only of security but of security with opportunity in a gloriously free and dynamic economy.

Taxation During and After the War

(*Continued from Page* 14)

be hoped that the federal government will confine the sale of tax anticipation bonds, now being offered, to taxpayers who desire them as a convenient reserve for current tax liability and will not, by attractive discounts, induce taxpayers to pay their taxes several years in advance.

Taxation After the War

AT the beginning of this article some basic assumptions were made with respect to the situation while the war lasts.

Making these same assumptions and the further assumption that the war will terminate by our victory and that, by the time we have won it, the damage to our economic fabric will not have been of a new kind, i. e., it will differ simply in degree from the kind of effect on our economy that we are now experiencing, then we may conjecture that at the end of the war the situation will be as follows:

1. There will be a large national debt of the order of $125 billion of present value[26] and it will be owned internally.

2. The national income will be of the order of $125 billion of present value.[27]

3. The postwar level of annual expenditures by the government will be of the order of $20 billions.[28] This sum plus the amount of debt retirement is the sum which should be raised by taxes during the postwar years since deficit financing ought to be avoided in peace time.

4. The civilian economy will continue to be undermaintained to the end of the war as it is now thereby furnishing a backlog of demand tending to sustain industrial activity at substantially the level at which it is during the war.[29]

5. Demobilization of men, machines and controls will be gradual,[30] *but there will still be a tremendous unemployment problem.*

Some "Sure" Possibilities

AS consequences the following are within the range of possibility, if indeed they are not to be regarded as definite probabilities:[31]

1. There will be a tremendous dislocation of employment resulting in a

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[26] This is, of course, a pure guess as to amount, but a government debt no larger than one year's national income will presumably be quite manageable if owned internally.

[27] "After the War—Full Employment" by Alvin H. Hansen, National Resources Planning Board, February. 1942, p. 3, suggested 100 billion in February, 1942. By January, 1943, the suggestion was $125 billion. National Resources Development Report for 1943, House Document No. 128, Part I, p. 4.

[28] Magill: "Impact of Federal Taxes," p. 6.

[29] This is at once the counsel of perfection and the definite aim. The National Resources Planning Board state: "If appropriate action is taken there is no necessity for a post war collapse." "After the War—Full Employment," supra, p. 2. But that is not the history of nations. As long ago as 1920 this phenomenon was described by Roger W. Babson as follows: "With the end of a war a pronounced disturbance is inevitable. The established demand for goods suddenly collapses. Monetary conditions ease and there is likely to be a brief reconstruction boom. This will be followed by a period of reaction in which the destruction of men and property will show its full effect." *Business Barometers,* 14th Edition, 1920—Roger W. Babson. See also Jenks: "Migration of British Capital to 1875," Knopf 1927, p. 25.

[30] It is planned this way. See detailed discussion "Plans for Transition from War to Peace" National Resources Development Report for 1943, Part I, p. 9 et seq. House Document 128, part 1.

[31] It is not possible within the confines of this article to give in detail the process of reasoning on which the conclusions are based. They are simply listed for the consideration of the reader.

drastic cut in public buying power at least temporarily. Most marginal employees now employed on account of the emergency and the extraordinary wages offered, will revert to their former status of housewives, retired persons, etc. This will cut off their contribution to the purchasing power which is having such an inflationary effect at present. Retail distribution will be tremendously affected. The whole tendency will be tremendously deflationary at first.

2. Some form of revaluation may be adopted to ease the burden of the public debt. World War I did not last long enough to bring about effects upon the United States comparable to what may be expected from World War II. For a parallel situation, it is necessary to go back to the effect of the Napoleonic Wars on England. There was a popular demand then that "all debts, public and private, be reduced fifty per cent."[32] The wild inflation in Germany after World War I does not furnish any comparable situation, but the experience of France, which *was* victorious, may furnish food for thought. In July, 1926, as a result of having fought the war entirely with loans rather than taxes, the franc was stabilized at 3.92 thereby wiping out a large part of the internal debt and reducing the value of gold bonds to less than one-fifth.[33]

3. Public works will no doubt be utilized to the extent deemed expedient.[34] These will be supported partly by reserves previously built up by local governments but largely by taxation.

4. Social Benefit programs will be utilized to cushion the shock. These will require large funds to be raised by taxation.

5. There will no doubt be an immediate great reduction in the tax burden, as a means of combatting deflation.

Corporate excess profits taxes will probably be abolished, or greatly reduced, at once.[35]

Corporate income taxes will also be probably greatly reduced, for the reason that it will be necessary to stimulate trade and encourage new ventures which the present high corporate tax rate tends to discourage.

Incentive Tax Possible

THIS reduction may well take the form of incentive taxation. For example, corporations would be granted a reduction in income taxes for increasing employment of labor or for purchase of capital goods, or for investment in new plant buildings, all with a view to stimulating trade and offsetting the let-down due to cessation of the war demand.

In the field of individual income taxes the present tendency to increase the taxes on the poor will probably be promptly reversed, but high taxes on the wealthy will no doubt linger a long time.

Estate taxes will probably not be affected much by the coming of peace, principally for the reason that they have not been increased proportionately as much as other taxes. If our experience after the last war is a

[32] Jenks: "Migration of British Capital to 1875," Knopf 1927, p. 27.

[33] Schoonmaker: "Our Genial Enemy, France," Long and Smith 1922, p. 99. Our own revaluation of the dollar is another instance, although its purpose was different.

[34] The National Resources Planning Board has already mapped out this strategy. National Resources Development Report for 1943, supra, p. 18.

[35] Senator Walter F. George (Democratic, Georgia) Chairman of the Senate Finance Committee, address before United States Chamber of Commerce, April 29, 1943, *Wall Street Journal*, April 30, 1943.

[36] I.R.C., Sec. 3540.

guide, there will probably be some reduction. It should be observed that in general all of the property in the country in private ownership passes through the Probate Court approximately once in every 21 years. This furnishes the means to greatly reduce the government debt so far as privately held, simply by holding estate tax rates high. Every time a person dies who holds a government bond, the estate tax furnishes a means to retire a considerable percentage of the bonds held by his estate.

Miscellaneous taxes, such as the stamp tax on automobiles,[36] will be largely eliminated since they will be politically unpopular, and since they fall chiefly on the working classes, who will be suffering to some extent by unemployment, or at least employment at greatly reduced wages.

In sum, the tendencies which had obtained until the war, and were reversed by the war, will be again reinstated to some extent at least.

Renegotiation of War Production Contracts

(*Continued from Page 20*)

war conversion purposes, sound national policy requires the encouragement of manufacturers to set-up such reserves. The report suggests that somewhat more liberal allowance of profit margins might properly be made to contractors who create reasonable reserves of this character than are allowed to contractors who spend or distribute all profits as they are earned.

Bonding Company Not Involved

THE surety under a contract or subcontract is not liable for the repayment of such excessive profits. Were this not the law, surety premiums in such cases where the contracts were bonded would have been required to reflect the increased risk involved, which risk is most difficult to determine.

Recovery of Excessive Profits

Upon renegotiation the Secretary is authorized to withhold from amounts otherwise payable to the contractor or subcontractor, the amount of such excessive profits, or to recover from the contractor or subcontractor the amount of such excessive profits actually paid to him.

The company involved should confer with the Bureau of Internal Revenue concerning specific questions relating to any particular return if the statement of policy issued by the Bureau of Internal Revenue on September 14, 1942 (I. T.-3577) does not cover the situation.

No Adjustment of Tax Liability

WHERE a federal tax return has been filed, the Bureau of Internal Revenue will not adjust the tax liability. Where such a tax return has been filed, the company must be given credit in the renegotiation for a prior fiscal year in accordance with the provisions of another section of the Federal Revenue Act of 1942 entitled, "Mitigation of Effect of Renegotiation of War Contracts or Disallowance of Reimbursements."

This section provides that if a renegotiation is made in respect to a contract with the United States or any agency thereof, or any subcontract thereunder, and the amount of excessive profits received or accrued under such contract or subcontract for a taxable year (therein designated as "prior taxable year") is eliminated and in a taxable year ended after December 31, 1941, the taxpayer is required to pay or repay the amount of excessive profits eliminated or the amount of such excess profits is applied as an off-set against other amounts due the taxpayer, the part of the contract or subcontract price which was received or so accrued for the prior taxable year shall be reduced by the amount of the excess profits eliminated.

Cost-Plus Ordnance Contracts

THE regulations of the Ordnance Department provide as follows: "Cost-plus-a-fixed-fee contracts will be renegotiated whether made prior to April 28, 1942 (unless final payment was made prior to that date) or were made thereafter, and whether or not they contained a provision for renegotiation of the fee. Statutes and executive orders prohibiting the making of cost-plus-a-percentage-of-cost contracts do not prevent the Board from renegotiating such fixed fees. Cost-plus-a-fixed-fee contracts of a contractor must be considered and negotiated independently of his fixed-price contracts.

"In renegotiating such cost-plus-a-fixed-fee contracts, the following are some of the factors to be taken into consideration:

"1. The contractor should be required to set forth separately the actual and prospective costs as well as the fees, stated separately for each individual contract.

"2. The negotiator should compare the actual and prospective costs of each contract with the estimated costs upon which the fee was based.

"3. The negotiator should determine whether the product sold is complex and complicated, and the extent to which the contractor has contributed value thereto. For example, larger profits should enure to the contractor if the product is a complicated mechanism in which fine tolerances must be maintained than if the product is simple and involves only the assembling of stock parts.

"4. The negotiator should ascertain the extent of any Government assistance obtained in performing the contract. A contractor who has used his own capital in performing the contract may be entitled to greater consideration than one who has been using Defense Plant Corporation facilities.

"5. The negotiator should also examine the dates, amounts, and fees of each contract in historical sequence. It is particularly important to note whether the fixed fee decreased as the volume of the same product to be produced under successive contracts increased.

"6. A contractor should in no event receive a rate of profit on cost-plus-fixed-fee contracts equal to what he would receive on fixed-price contracts for the same volume of the same product since his risks on fixed-price contracts are greater. The contractor is reimbursed for all of his reimbursable costs under a cost-plus-a-fixed-fee contract, and over and above this receives a fee, virtually being guaranteed a profit. Generally speaking, his risks are confined to the possibility that certain items may be disallowed or that the profit may be less than anticipated by reason of his having underestimated his costs when the fee was fixed.

"7. Under no circumstances, however, should the fees be reduced arbitrarily in proportion to the reduction

of costs below the estimated costs. If the contractor clearly demonstrates that such reduction of costs is attributable to his own efforts, the fee should not be reduced merely because of this reduction in costs. The fees received under a cost-plus-fixed-fee contract should have a reasonable relationship to the services performed by the contractor."

The Rule in Cost-Plus Contracts

IN the case of a cost-plus-a-fixed-fee contract, if an item for which the taxpayer has been reimbursed is disallowed as an item of cost chargeable to such contract and, in a taxable year beginning after December 31, 1941, the taxpayer is required to repay the United States or any agency thereof the amount disallowed, or the amount disallowed is applied as an offset against other amounts due the taxpayer, the amount of the reimbursement of the taxpayer under the contract for the taxable year in which reimbursement for such item was received, or was accrued, is to be reduced by the amount disallowed. The statute also provides that the amount of the payment, repayment or offset above described shall not constitute a deduction for the year in which paid or incurred.

Credit against the amount of excessive profits eliminated, is allowed for the amount by which the tax for the prior taxable year is decreased as above, and there is to be credited against the amount disallowed the amount by which the tax for the prior taxable year is decreased.

In determining the amount of credit to the contractor or subcontractor, no interest is to be allowed except that if the interest is charged the contractor by the United States or the agency thereof, the credit is required to be increased by an amount equal to the interest on the amount involved at the same rate and for the same period as interest was so charged.

Contracts with Manufacturers' Representatives

CONTRACTS between manufacturers and their representatives are subject to renegotiation as subcontracts when the representative is performing, or agrees to make available on request, engineering, mechanical, or other services related to the performance of one or more prime contracts with one of the Departments or subcontracts thereunder, including assistance in the obtaining of priority certificates and in other matters required in connection with performance of the contract. These activities comprise "part of the work required for the performance of another contract" within the definition of subcontract in the renegotitaion statute.

When a manufacturer's representative also acts as dealer he is in substantially the same position as a jobber and his sales of articles to one of the departments or a contractor with a department or a subcontractor thereunder are subject to renegotiation whether the articles are delivered from his own inventory or shipped direct by the manufacturer. Legislation is now pending in Congress designed to give the Government authority to control the excessive fees and profits being received by manufacturers' representatives or commission agents, by defining their contracts or arrangements with their principals as "subcontracts," under the renegotiation statute to permit the renegotiation of their profits where their gross annual income applicable to the procurement of Government contracts or subcontracts thereunder, exceeds $25,000. (H. R. 1900.)

A joint Army-Navy Committee to deal with the subject of contingent fees and excessive compensation of sales representatives for obtaining government prime contracts and subcontracts thereunder has just been formed. This Committee is authorized to investigate the facts, to confer with the parties in interest for the purpose of obtaining refunds or reductions of contingent fees or compensation to sales representatives deemed to be excessive and to establish a procedure for joint and cooperative action by the War and Navy Departments with respect to this situation.

May File Cost Figures

UPON renegotiation, agreements made by the Secretary may cover such past or future period or periods and such contracts as the Secretary shall deem advisable. Such agreements are final and conclusive and except upon a showing of fraud or malfeasance or a willful misrepre-

sentation of a material fact, such agreements shall not be reopened or modified. Informal tentative agreements may be made, without prejudice to the subsequent determination of excessive profits.

A contractor or subcontractor may file with the Secretaries or all the departments concerned, statements of actual costs of production and such other financial statements for any prior fiscal year or years in such form and detail as the Secretaries prescribe. Within one year after the filing of such statements, or within such shorter period as may be prescribed by joint regulation, the Secretary of the department may give the contractor or subcontractor written notice that the Secretary is of the opinion that the profits realized from some or all of such agreements may be excessive, and fixing a date and place for an initial conference to be held within 60 days thereafter.

If such notice is not given and renegotiation commenced by the Secretary within 60 days, the contractor or subcontractor shall not thereafter be required to renegotiate to eliminate excessive profits realized from any such contract or subcontracts during such fiscal year or years. Any liability of the contractor or subcontractor for excessive profits realized during such period is thereby discharged. Such renegotiation must be commenced by the Secretary within one year after the close of the fiscal year of the contractor or subcontractor within which completion of termination of the contract or subcontract occurs.

It is believed that the federal decisions with respect to what constituted completion and settlement, or payment under government contracts will be persuasive, if not conclusive, upon the Price Adjustment Board and the Secretaries in their determination of questions raised by the above statute.

Purposes of Renegotiation

THE Government recognizes that the existence of excessive profits is in itself no indication that the contractor or subcontractor has been guilty of any wrongdoing, and no evidence that the Government Officials involved have failed to exercise due diligence. Most necessarily estimates of costs have proven and will prove to be inaccurate when tested by the results of actual production. The purpose of renegotiation is to determine by agreement if possible the sum which will constitute excessive or unreasonable profits under circumstances which must necessarily vary with the case. In determining a reasonable wartime margin of profit, reliance is placed on the ratio of profits to sales rather than on the ration of profits to net worth.

Inquiry will be made as to the corresponding profits in pre-war years, especially where the war products are substantially similar to the pre-war products. It will not be assumed that a concern is entitled to as great a margin of profit on war contracts as under competitive conditions in a non-war period. Profits of competitors may be considered.

Reduction of profits as volume increases is another factor. Consideration is required to be given to the ratio of labor and overhead to materials, because a company performing its own agreements is entitled to greater remuneration than a contractor who subcontracts most of his work. Likewise, a company engaged in a technical, difficult manufacturing process deserves more consideration than a concern manufacturing an article comparatively easy to make.

Cooperative Spirit Shown

REGARD should also be given to the factor that patent rights have been voluntarily made available to assist the war effect. It is the policy of the departments to recognize and reward efficiency in reducing costs. This practical view of the problems involved and spirit of cooperation has resulted in price reductions and cash refunds provided by the Army Board totaling over a billion dollars. Of this billion, however, approximately $300,000,000 was returned in cash. The balance is attributed to price reductions. Since the sum other than amount which the government would have received from these contractors in any event through existing tax laws represents but a few days expenditures under our present war effort, it is important that renegotiation should be so carried on as not to take away the contractor's incentive to produce efficiently.

The joint release of the Under Secretaries of the War and Navy above referred to concludes with the following statement:

"The weapons which the Nation needs to equip the Army and Navy should be produced at a modest profit. The first incentive of everyone must be the preservation of America, and no country whose young men have been called upon to offer up their lives will tolerate inordinate war profits. The justice of this principle, we believe, is self-evident to the overwhelming majority of American businessmen, who recognize that the good repute of business requires maximum production of munitions at a minimum fair profit."

Discussion of Discount Abuses

(*Continued from Page* 10)

The best approach to such a customer is a frank, courteous, but very firm statement of what you can and cannot afford to do as a business proposition, backed up with a strong implication that there is no alternative but compliance with terms. You have to convince him, and the sooner and more directly you do it, the better, that if he does business with you he will have to do it on your terms. You have to hold your ground, and dominate the situation by sheer firmness, dignity and self-respect.

His "chiseling" may become so flagrant that you will have to discard him as an unprofitable account. Regardless of your feelings, you must manage to do it tactfully. Tell him frankly that you would like to have his business, but as a matter of simple arithmetic you can not make a profit on his business if you allow his deductions. This action, if done courteously, may prove to be merely good strategy in winning your point, for if you once gain a "chiseler's" respect you can manage him.

Firm Paragraphs for the Unconscionable "Chiseler"

We regret that we must return your check for correction, inasmuch as the period for deducting discount has long expired. Invoices are subject to discount only if paid in ten days; thereafter the discount is sacrificed, in accordance with the terms, which we require all of our customers to observe.

*

This is strictly a business matter. You bought the goods on terms of 2% 10 days, *net 30*. We adhered to all conditions in filling the order, and, of course, we expect you to do likewise in paying the account.

*

You are in business for profit, and so are we. You know what you can afford to do, and what you cannot. So do we. We are glad to have you earn your discounts if you pay in ten days, but frankly we cannot profitably accept business subject to two per cent discount as late as sixty days after the date of the invoice.

*

This is just a straight business proposition. We can afford to allow you a premium for the use of your money if you pay us in ten days, but we cannot afford to allow it if we don't get your money for thirty or forty days.

*

Like you, we know what we can and cannot afford to do in the name of good business, and business subject to 2% discount in 45 days just isn't profitable.

*

We know what it costs us to carry an account thirty or forty-five days. So we have to ask all of our customers to adhere strictly to terms, and pay the account in ten days if they wish to avail themselves of discount.

*

You and we are both in business for the same purpose—profits. We are glad to have you earn your discount, but when you pay us in forty-five days and still take the discount, we can't allow it. We cannot afford to pay you two per cent for the use of money which actually remains in your hands during that forty-five day period!

*

You give us a good volume of business, and we appreciate it and want to continue to enjoy it. But we will have to ask you to adhere to our terms, for it just is not profitable for us to accept business subject to 2% discount at the end of 45 days.

*

Much as we value your business and wish to continue enjoying it, we will have to say frankly that we cannot accept it subject to the unearned discounts you have been taking. It just isn't profitable business that way.

Taxes As They Affect Our Customers

(*Continued from Page* 17)

In these two provisions (Loss carry-back and unused excess profits credit carry-back) we have a recognition that the profits of a business may be subject to violent fluctuations and here is a definite attempt to level off those profits for taxation, over a cycle of four years.

Reserves for Post-War Rehabilitation

AS credit grantors, I am sure you are interested in recognizing the desirability of business concerns setting aside reserves to meet the contingencies of the post-war period.

The principle of post-war reserves is recognized to some extent in the provision for the post-war refund of 10% of the excess profits tax paid. Those companies that are setting up the amount of such post-war refunds as a "reserve," rather than including them as a part of "surplus," are recognizing the true purpose of this post-war refund.

Numerous companies are faced with the question of renegotiation of profits on government contracts, which may involve substantial liabilities. Where contracts have not been renegotiated, there must be a full disclosure of the contingent liability, and any current information as to the amount of such liability.

At present, no provision is made for tax purposes, or in the renegotiation of war contracts to allow post-war reserves, either as "deductions" for tax purposes, or as "costs" by price adjustment boards.

The Truman Committee, in a report on "Renegotiation of War Contracts" released on March 30, 1943, makes this important statement in regard to post-war reserves. "There-

fore, while there is certainly no justification in the allowance of excessive or padded reserves for post-war conversion purposes, it is believed that sound national policy requires the encouragement of manufacturers to set up such reserves and that somewhat more liberal allowance of profit margins might properly be made to contractors who create reasonable reserves of this character than are allowed to contractors who spend or distribute all profits as they are earned."

The General Motors Corporation provided from its 1942 income an amount of approximately 24 million dollars to bring its Reserve for Post-War Contingencies to a total of 40 million 500 thousand dollars.

A general recognition on the part of business concerns of making provision out of profits for contingencies will certainly strengthen the credit stability of those companies.

Excess Profits Tax Relief

Sections 721 and 722 of the Internal Revenue Code provide for relief in those cases where the taxpayer bears an excessive burden.

The provisions of these sections will be administered under the rules promulgated by the Secretary of the Treasury and it will be necessary for the taxpayer to satisfactorily establish his eligibility for relief.

The House Ways and Means Committee, in submitting the Revenue Bill of 1942, estimated that the then present tax structure would produce in the fiscal year 1942 approximately 17 billion dollars and the 1942 amendments were expected to produce an additional 4 billion dollars.

In connection with the determination of what are "excess profits," the years 1936 to 1939 are considered as a standard in determining "normal" profits. It is highly significant to note just what percentage of corporate taxpayers produced the tax revenue in those years. The following figures, from Treasury Department statistics, show the percent of total corporations reporting income in the years 1936 to 1939 inclusive:

1936—42%
1937—40%
1938—36%
1939—42%
Average for 4 years 40%

One other figure will be interesting here for comparison. In 1929, that "peak" year, 59% of the total corporations of the country reported income aggregating 11 billion six hundred million dollars.

Effect of Taxes

HOW the employees, stockholders, and product are affected by the taxes of corporations is very strikingly brought out by the following figures taken from the annual report from the United States Steel Corporation for the year 1942:

Tax provision	*1940*	*1941*	*1942*
Per employee	$336	$629	$679
Per share of common stock	$10	$22	$26
Per ton of steel ingots produced ...	$4	$7	$8

The American Home Products Corporation report for 1942 shows total taxes paid:

Per share	$7.55
Per employee	895.84

Labor in its claims for higher wages could logically be expected to show some interest and concern in taxes when expressed in terms of the burden per worker and the burden per unit of product.

Such are the "Taxes as they affect our customers" and "lest we forget," also of the company which you represent.

NEWS ABOUT CREDIT MATTERS

A section devoted to Credit Association affairs

July, 1943

Copy deadline 15th of Month

Special Committee on Insurance Asks For Further Study

The Special Committee on Insurance appointed last April by President Bruce Tritton presented its report at the St. Louis War Credit Congress. G. W. Patterson, Credit Manager of the American Cyanamid Company, New York, as Chairman, presented the report to President Tritton who, in turn, obtained the approval of the National Board of Directors at its meeting on Thursday afternoon, May 27th. Mr. Patterson's report urged the desirability for obtaining as complete a statement of insurance coverage as possible, especially during wartime.

The report further requested the appointment of a permanent National Committee on Insurance to be composed of credit executives and representatives of insurance interests for a further study of how best to obtain information on insurance coverage.

It is understood that Paul W. Miller, the new National President, will soon appoint this committee to carry on the work started by the Special Committee which presented its report at the St. Louis War Credit Congress.

In presenting the findings of his committee, Chairman G. W. Patterson offered the following resolution which had been adopted by his committee as expressing a general plan for the study of insurance by credit executives:

"Resolved: That the National Association of Credit Men should inform any and all insurance groups, fraternities, agents, associations or companies that it is important that some system be set up whereby credit managers could be advised of insurable hazards to which their customers are subject and which are not properly covered by insurance;

"That the president of the National Association of Credit Men appoint a committee composed of equal representation from credit men of industry and insurance representatives to consider ways and means of carrying through to conclusions the gathering, assembling and distribution of this insurance information to the credit fraternity;

"That in the recognition of the importance of insurance in relation to credit, urge that every local association establish an insurance advisory council to give further consideration to the problems of insur-

(Continued on Page 34)

Host of Friends Attend Funeral of Vane Chase

Los Angeles: The funeral for S. P. (Vane) Chase held on June 4th was attended by so many of the friends of the late Secretary of the Los Angeles Credit Men's Association, that many had to stand outside of the mortuary chapel. The floral pieces also were so many in number and size that it was impossible to have all of them displayed inside the chapel.

Vane Chase served as Secretary-Manager of the Los Angeles Credit Men's Association for eighteen years. For several years prior to that he was employed as an adjuster for the Los Angeles Wholesalers Board of Trade. His exceptional managerial ability is reflected in the fact that under his management the Los Angeles Association has grown to be the third largest Association in N.A.C.M. His long experience in credit matters and outstanding ability in Association work won him a host of friends not only in Los Angeles but all over the country. Vane had a marked ability for infusing enthusiasm into the deliberations of boards, committees and other groups with which his position brought him in contact.

(Continued on Page 36

Committee Reports on Legislation and Plans for This Year

Robert L. Simpson, National Vice-President, New Orleans, who served as chairman of the National Legislative Committee in the past year, reported on some of the highlights of his committee's efforts at a meeting held at the War Credit Congress in St. Louis. Among these, he mentioned the efforts to bring about the restoration of Miller Act Bonds on Government Contracts and special work in connection with Renegotiation of Government Contracts and also a general plan for revision of the Termination clause in Government Contracts.

Other matters mentioned were the adoption in some states and revision in other states of Bulk Sales and Assumed Name Laws and a report on what has been accomplished in the matter of obtaining legislation to provide for Par Clearance of Checks.

The Committee approved a resolution presented by several Associations and Industry Groups requesting that the President of the National Association of Credit Men "shall appoint a committee of five with instructions to bring said matters before the proper goverenment officials and to advocate such changes in procedure as may be deemed necessary to the end that discretionary authority to waive performance and payment bonds shall be rescinded, all requirements of the Miller Act of 1935 reinstated and performance and payment bonds uniformly and without discrimination required covering all federal public works and supply contracts.

Other resolutions considered by the Legislative Committee were those:

Providing for liquidation of the Regional Agricultural Credit Corporation;

Urging united effort among Industry Groups to strengthen the use of N.A.C.M. services;

(Continued on Page 34)

When you write the National Office, please note this:—Under the new post office regulation, the address of the National Office of N.A.C.M. is, as follows:

National Association of Credit Men
Room 1010
One Park Avenue
New York 16, N. Y.

Georgia Association Honors Paul W. Miller New N.A.C.M. President

Atlanta: At a dinner given June 11th at the Piedmont Driving Club in Atlanta, there was gathered a distinguished group of citizens and members of the Georgia Association of Credit Men to do honor to Paul W. Miller, recently elected President of the National Association of Credit Men.

Sidney M. Wilson, President of the Georgia Association, presided, and twelve past presidents were in attendance to do tribute to this outstanding leader in the field of credit.

Speakers included Carlyle Fraser, President of the Atlanta Chamber of Commerce, Chas. F. Stone, President of Atlantic Steel Company, Marjorie Jennings, representing the Credo Club, and Horace S. Collinsworth, past president of the Georgia Association, and past vice-president of the National Association of Credit Men.

The tables were decorated with summer flowers, and a delightful musical program was presented.

Committee on Insurance Asks Further Study

(*Continued from Page* 33)

ance in relation to credit, and that these committees, together with the local program, meetings or forum committees of the local associations, give the question of unified and simplified programs for insurance proper consideration in the planning of their programs and discussions;

"That the educational activities of the National Association include the consideration of insurance in relation to credit in their classes, discussions and publications; and

"That the National Association of Credit Men and its insurance committee recommend the study and advocacy of comprehensive liability and comprehensive fire coverages, for risks which are more or less standardized, available to the general public so that it will be easier for smaller merchants to obtain a more complete up-to-date coverage for all their insurable hazards."

Milwaukee: The Credit Women's Club meeting on June 15th at the City Club heard President Loretta Fischer report on the War Credit Congress in St. Louis. Secretary Garness also spoke on Convention highlights. President Fischer announced the appointment of committees and gave an outline of the programs for the next year. The Credit Women's Club held its annual picnic on June 26th at Hunter's Lake.

Kohnstam Renamed 3-Cities' President At Annual Session

Binghamton: David A. Weir, Assistant Executive Manager, N.A.C.M., was the speaker at the annual meeting and election of officers of the Triple Cities Association of Credit Men, held at the Arlington Hotel on June 9th. C. E. Kohnstam, Babcock, Hinds & Underwood, was re-elected President, and Thomas A. Scalese, of Chas. Millar & Son Co., was re-elected First Vice President; John B. Denton, Agfa Ansco Division, General Aniline & Film Corp., was named Second Vice President.

The new National Vice President Robert W. Griffiths, of Utica, and Mrs. Griffiths came for the annual meeting, and F. Clifford Heath, new National Director for District No. 2, and several of the members of the Syracuse Board of Directors came for the meeting. The Syracusans issued a special personal invitation to the Tri-State Conference of District No. 2 which will be held in October in Syracuse.

St. Louis Awards Certificates In Credit Courses

St. Louis: Certificates in the "Credit Fundamentals" course and "Advanced Credit Problems" course have been issued by Orville Livingston, Executive Manager of the St. Louis Association of Credit Men to the following: Mansel L. Danford, Elvira Friederich, Dorothy Gustin, Lucile Hilleman, Charles Schmat, Eunice Sommerfeldt, Helen Reding, Bertha Ridley, Edward Roach, Alfred Metzler, Paul Hoffman, Thomas Cavanaugh, Arthur Reich, Mary Kain, Fred Bernatz, and Fred Schaefer.

Four courses were offered during the past season, as follows: "Credit Fundamentals," "Advanced Credit Problems," "Business Correspondence," "Personnel-Public Relations."

Seventeen credit women attended the eight weeks course on "Personnel-Public Relations" under the tutelage of Ralph Brown, Personnel Publicity Director of the Mississippi Valley Trust Company. The following received certificates of completion of the course: Nina Darnell, Lorene Dunkman, Emma Ebinger, Irene Fitzpatrick, Genevieve Hubbell, Ethel Leonard, Mary Leslie, Elizabeth Ottens, Gertrude Richarz, Eureka Scott and Florence Stoermer.

The Smaller War Plants Corporation, H.O.L.C. Building, First and Indiana Avenues, Washington, D. C., has just issued a little pamphlet entitled "Spreading the Work. . . . The Salvation of American Industry." A copy of this pamphlet will be of interest to any manufacturer seeking sub-contracts under war production.

Notice Required for Account Assignments In California Now

San Francisco: The California Legislature has passed Senate Bill No. 136 providing for recording of notice of assignment of accounts receivable. The new statute provides that a notice shall be filed with the county recorder of the county in which the assignor resides, containing:

"(1) A statement that the assignor expects to assign an account or accounts then existing or thereafter arising, to the assignee, or

"(2) A statement that the assignor expects to assign certain accounts in which event the statement may contain:

"(a) A list of the accounts so to be assigned, setting forth the amount of each such account and the names and addresses of the persons owing the same; and

"(b) If such accounts are to be assigned as collateral security for a specific obligation, a declaration to that effect, and a statement of the amount of such obligation."

The new statute provides for such matters as filing, fees, etc. The bill was signed by Governor Warren and will be in effect during the summer.

New Hampshire and W. Virginia Adopt New Bond Statutes

Senate Bill No. 180, recorded in the new laws of West Virginia adopted in 1943, provides for "Surety or collateral bond, payable to the State of West Virginia, conditioned that such contractor shall well and truly perform his contract and shall pay in full to the persons entitled thereto for all material, supplies, equipment, labor, etc."

In New Hampshire Senate Bill No. 71 was adopted as Chapter 182, Laws of 1943, amending Section 26 and 27 of Chapter 264 and providing for a security by bond or otherwise for the payment by the contractors and subcontractors for all labor materials and supplies used in the carrying out of the contract. The new Law also provides in Section 27 how the benefit of the bond may be accrued to a material supplier and Section 27-a provides for petition and hearing.

Committee Reports on Legislation Plans

(*Continued from Page* 33)

Proposing that all monies collected by employers under payroll deduction plans shall be deposited in special Trust accounts. This resolution covered the same plan as indicated by Mr. Heimann in his editorial in the June issue entitled "Trustees for Uncle Sam."

Another resolution, referred to the Legislative Committee by the Electrical and Radio Industry Group, urged action which would expedite payment of invoices on government contracts by finance officers.

Past Presidents at New Orleans Form Club to Boost NACM

New Orleans: A Past Presidents Club of the Association was organized on June 16 at a luncheon meeting, at which the following past presidents were present.

George Grundmann, 1128 City Park Ave.

J. H. Kepper, Hibernia National Bank.

Ed. Pilsbury, B. Rosenberg & Sons.

R. L. Simpson, C. T. Patterson Co., Inc.

G. E. Brister, American Sugar Refining Co.

J. A. Monier, Jr., Wesson Oil & Snowdrift Sales Co.

Albert P. Spaar, Woodward, Wight & Co., Ltd.

Mr. Grundmann is to serve as President of the Club for the next two years. The objectives of the Club are as follows:

1. To continue the friendship and acquaintance of the past.
2. To promote both Local and National Association interests whenever possible.
3. To encourage attendance at National Conventions and to assist in making the trip and the local attendance interesting and profitable.
4. To hold ourselves ready as an advisory committee when called upon by the local Secretary or Board.
5. To attend quarterly luncheon meetings.

B. W. Stauffacher Is Elected at Omaha

Omaha: B. W. Stauffacher, Westinghouse Electric Supply Company, is the new president of the Omaha Association of Credit Men for the fiscal year, 1943-44. Other officers recently elected are Millard C. Lamb, Storz Supply Corp., First Vice President; Fred Harris, of the John Deere Plow Company, Second Vice President. Miss Henrietta Lamb and a group of credit women arranged the program for the annual meeting and Ladies Nite.

Wichita Held Annual Lawn Party June 15

Wichita: The Wichita Association enjoyed its annual lawn party on June 15th at the home of Mr. and Mrs. M. E. Garrison. Mrs. Elmer Garrison, Jr., and Mrs. Allen Olson presided as hostesses. Various games, music and refreshments were provided. Mrs. M. E. Garrison was absent from the party, owing to the death of her brother, Lou Hauser, Litchfield, Illinois.

Committees at Work

Toledo: The membership Committee recently appointed by President House, of the Toledo Association of Credit Men, has already started work in the new fiscal year. Prospect lists have been handed around to members of the committee, and reports will be received at the next monthly meeting.

J. H. Frazier Takes Over at Detroit

Left: President J. H. Frazier, Great Lakes Steel Corporation, receiving gavel from outgoing President H. J. Lowry, of the Michigan Mutual Liability Company, at the 47th annual meeting and election of officers at the Detroit Association. The basket of oranges had nothing to do with the delivery of the gavel. If you will look carefully, you will see that the gavel is being handed over.

Utica Joins With Accountants for Big Ladies' Night Party

Utica: The annual ladies' night party of the Utica Ass'n of Credit Men and the Utica Chapter, Nat'l Assoc. of Cost Accountants was held in Hotel Utica on Monday evening, June 14th. The cost accountants were host on this alternate year and following a fine dinner served to the 70 present, a brief business session was conducted by both organizations. Lawrence Malchow, newly elected president of the creditmen announced the marriage of the Secretary, Helen J. Switzer to Lt. J. Martin Casalett on May 12th, 1943 in California.

Moran to Serve on Advisory Committee at University of Illinois

Chicago: E. B. Moran, Manager of the Central Division, N.A.C.M., has been asked to serve as a member of the Advisory Committee on Marketing in the College of Commerce and Business Administration, University of Illinois, for a term of two years starting July 1, 1943. The members of this Advisory Committee are selected because of their leadership in certain phases of business administration. Mr. Moran will cover the subject of "Credit" on the committee's deliberation.

Pennsylvania Amends Fictitious Name Law: Now Requires Notice

Pittsburgh: The Pennsylvania Fictitious Name Act as now amended provides that before a Certificate of Registration can be issued by the Secretary of State, notice of intent to register must be published in a newspaper in the county in which the applicant resides and also in the legal newspaper if one is published in the county.

The Certificate must be recorded both with the Secretary of State and with the Prothonotary in the county in which is located the principal place of business.

The name cannot contain any word indicating that the business conducted is banking, insurance, trust, public service, security, guaranty, cooperative or building and loan.

The penalty for violation is—No standing at law, which can be cured by the payment of a fine of $25.00 and costs.

Philadelphians Name New Official Slate

Philadelphia: James V. Marron, the Yale & Towne Mfg. Co., is the new President of the Credit Men's Association of Eastern Pa. Vice Presidents are A. Edward Southgate, Philadelphia & Reading Coal and Iron Company; Wm. E. Vollmer, the Philadelphia National Bank; Wm. Stockton, the Atlantic Refining Company; and Marc W. Pender, American Stove Company. President Marron has already appointed chairmen of eight important trade groups and also has named James E. Jones, Central Iron & Steel Company, as Chairman of the Harrisburg Group. Mary M. Pearson, Westcott & Thomson, Inc., has been named President of the Philadelphia Credit Women's Group.

Binghamton: The following are the new officers for the Credit Women's Club: Lucille Mielke, President; Marjorie Gillette, Vice President; Myrtle Prince, Treasurer; Effie Leitch, Secretary; Juanita Donahue, Councillor.

Offer Recordings For Program Use

New York: The New York University Film Library, 152 West 42nd Street, New York, announces an innovation which may be of interest to Association program chairmen. They offer a series of recordings which might serve as entertainment on some programs. For example, four recordings of broadcasts in a series on the Post-War World cover such subjects as "Should We Discuss The Next Peace Now?" "Political Reconstruction;" Economic Requisites of a Durable Peace;" The Challenge of the Four Freedoms." These may be obtained on either a purchase or retail basis. Those interested should address the New York University Film Library Recordings Division, 152 West 42nd Street, New York.

Nash S. Eldridge Named President Of New York CMA

Nash S. Eldridge, assistant treasurer and a director of J. P. Stevens & Company, Inc., was elected president of the New York Credit Men's Association at the annual meeting of the Association. He took office on July 1.

Mr. Eldridge succeeds Harry J. Delaney, vice-president of Meinhard, Greeff & Company, Inc., who was president since January, 1941, and who was elected a member of the Board of Directors of the

National Association at the War Credit Congress in St. Louis.

Other officers elected were Earl N. Felio, Colgate-Palmolive-Peet Co., first vice-president; E. W. Moon, Jr., Otis Elevator Company, vice-president; Charles T. Corby, Colonial Works, Inc., vice-president; H. Parker Reader, Cannon Mills, Inc., vice-president, and Joseph Rubanow, Manufacturers Trust Company, treasurer.

Mr. Eldridge began his business career with Fred Butterfield & Co. Two years later he joined William Iselin & Co., and in 1917 he took a credit position with J. P. Stevens & Co., Inc., where he rose to become assistant-treasurer and a director.

Long a member of the New York Credit Men's Association, Mr. Eldridge was elected vice-president in 1941. Previously he had been on the Board of Directors and very active on a number of committees. Most recently, he served as chairman of the membership committee, in which capacity he was responsible for an increase in membership.

He is vice-president of the Textile Square Club and a member of the 475 Club and the National Institute of Credit.

Connecticut Credit Conference Cancelled

New Haven: The Connecticut State Conference, which had been scheduled for the Race Brook Country Club, Orange, Conn., for June 15th was cancelled early in the month owing to gasoline rationing, inability to figure transportation facilities, and a negative answer from the OPA for the use of automobiles. Four Connecticut Associations had planned to join in this Connecticut Conference.

Host of Friends Attend Funeral of Vane Chase

(Continued from page 33)

Sylvane P. Chase was born in San Diego in 1891. He resided for some time in San Bernardino. He attended Pomona College and was a member of the Philomathia Fraternity. He was a member of the Jonathan Club of Los Angeles and for several years served as Secretary of the Beverly Glen Improvement Association where his residence was located.

Vane Chase passed away during a heart attack at the Palmer House in Chicago on Memorial Day, May 30th, while on his way back to Los Angeles from the War Credit Congress in St. Louis.

His death removes an outstanding figure from the ranks of the National Association of Credit Men. At National Conventions, Vane was always on hand with a large delegation from his Association. His engaging smile and hearty greeting for old acquaintances were remarked by hundreds. At the sessions of the Secretary-Managers, Vane listened with an attentive ear but was not one to often express his views, but when he did speak others listened, and they knew that he spoke with the authority of a successful leader.

Atlanta Women's Club Names New Officers

Atlanta: The Credo Club of Atlanta, Women's Division of the Georgia Association of Credit Men, elected the following officers for the ensuing year: Ethel Pritchett, President (King Hardware Co.); Heloise Walker, Vice-President (Economy Co. of Ga.); Mary Caldwell, Recording Secretary and Treasurer (General Electric Co.); Allene Cole, Corresponding Secretary (Economy Co. of Ga.).

At the June meeting, an outing at the home of Carmen Dobbs, Marjorie Jennings made a report on the War Credit Congress which she attended at St. Louis.

E. William Lane Named President at Providence

Providence: At a meeting of the board of directors of the Rhode Island Association of Credit Men, E. William Lane of the American Screw Company of Providence was named president of the Association.

Mr. Lane has been active in Association affairs over a period of years and has also attended numerous national conventions. He has taken an active part in the hardware manufacturers group. Mr. Lane gave one of the addresses on the Tuesday afternoon program at the War Credit Congress and served as chairman of the Hardware Manufacturers industry group session.

Other officers elected to serve with Mr. Lane are as follows: Sydney J. Hoffman, Franklin Auto Supply Co., 1st Vice-Pres.; Joseph F. Madden, Nicholson File Co., 2nd Vice-Pres.; George H. Smith, Petroleum Heat & Power Co., Secretary; William H. Richard, Providence Pipe & Sprinkler Company, Treasurer.

Owen S. Dibbern Resigns to Take On New Position

Just as the July issue went to press, announcement was made from the National Office that Owen S. Dibbern, who has served for a number of year as Manager of the Western Division, has resigned to accept a position as General Credit Manager of the Paraffine Companies, Inc., with headquarters in San Francisco.

In announcing Mr. Dibbern's resignation from the National Staff, Henry H. Heimann issued the following statement to National Officers and Directors to all affiliated Associations:

"Mr. Dibbern has been with us a great many years, during all of which time he has given very loyal service. He has a host of friends in the credit fraternity of the country who will share our regret at losing his valuable services. The opportunity tendered Mr. Dibbern, however, is such that we could not in fairness urge him to remain with us. I particularly feel a keen loss in Mr. Dibbern's severance since he has been most faithful and cooperative in everything he has done."

Arrangements have been made with Mr. Dibbern for continuing in "after hours" some of the duties he had carried as Manager of the Western Division.

Mr. Dibbern leaves officially as of August 1st.

W. F. Wriggins Heads New Jersey Assn.

Newark: Wilbur F. Wriggins, New Jersey Bell Telephone Company, is the new President of the New Jersey Association of Credit Men. Other officers are Benjamin S. Berkowitz and Gilbert Rodger, Vice-Presidents; John F. Berg, Treasurer; Hampton M. Auld, Jr., Councillor. Members of the New Jersey Association are sending congratulations and best wishes to Mr. and Mrs. Hamp Auld. Mrs. Auld, before her marriage was Miss Edna Valmore, Credit Manager of Bloomer Brothers, Newark, N. Y. They were married on June 26th and are now at home at Alps Road, Preakness, N. J. Miss Valmore was recently elected 2nd Vice-President of the Rochester Association of Credit Men. Mr. Auld is a Past President of the New Jersey Association and is now serving as Councillor.

Dayton: Frank O. Hax, former Secretary of the Dayton Association of Credit Men, is now stationed at Camp Roberts, California. His address is Pvt. Frank O. Hax, Battery B—56 F. A. Trg. Bn., Camp Roberts, Calif.

Wait for the New Credit Manual of Commercial Laws, out early this fall.

Gendreau

House Committee on Naval Affairs Holds Hearings on Reconversion Reserves

Reports from Washington during the last week in June indicated a general trend toward a definite and more liberal policy on the matter of reserves for reconversion to be set up by war production plants.

An Associated Press story quoted Dewitt Emery, President of the National Association of Small Business Men, as urging at a hearing of the House Naval Committee that war contractors be allowed to "set aside tax-free reserves for easing post-war transition back to peacetime production." His suggestion was for 3% on sales up to $1,000,000, and figures above that point to be scaled down to one half of one per cent. His proposal was that such reserves should be invested in non-interest bearing and non-negotiable government securities until a fixed time after the war when they would become negotiable and interest bearing.

W. L. Marbury, general counsel for the Army's purchasing division, also told the House Military Committee late in June that Congressional sanction should be given for advanced payments or guaranteed loans to war contractors who face financial difficulties through delayed settlement of defense contracts. Mr. Marmury quoted the case of one contractor in tank production who had some $225,000,000 of contracts cancelled. These cancellations affected 300 subcontractors in the first tier directly below the prime contractors and another 1,000 subcontractors in the second tier. His proposal would be to advance a certain portion of the money payable to the contractor pending final adjudication of the contract. The proposed legislation offered by Mr. Marbury was referred to a subcommittee headed by Representative Durham of North Carolina for further study.

Kenneth C. Rockey, Chairman of the Navy Price Adjustment Board, also declared that the Government has a responsibility in solving the problems of war contractors in the case of a termination of contracts. An article in the "Journal of Commerce" quoted Mr. Rockey as saying, "Congress certainly should do something about this problem." His statement also was made before the House Naval Affairs Committee. A portion of Mr. Rockey's statement follows:

"I think the vast majority of companies will be in a very serious and vulnerable position after the war. The Government has done everything possible to get business into war production but little has been done in connection with meeting the problem the great majority of companies will face after the end of hostilities. I think this is a serious problem for American industry."

On the point of revision of the Renegotiation Law, an amendment was voted by the House on June 23rd. This was enacted as a rider to the Military Appropriations Bill. The amendment provides for the inclusion of Defense Plant Corporation and Defense Supplies Corporation contracts. As the law now stands, the renegotiation of contracts applies only to the Treasury, Army, Navy, Maritime Commission and War Shipping Administration.

There is still a probability of a revision in the entire law as the House Naval Affairs Committee is holding hearings on this subject.

Calendar of Corporation Reports and Taxes for July, August, September, October

ARKANSAS—Anti Trust Affidavit due on or before August 1.—Domestic and Foreign Corporations.

Annual Franchise Tax due on or before August 10.—Domestic and Foreign Corporations.

CALIFORNIA—Quarterly Retail Sales Tax Returns and Payments due on or before July 15 and October 15.—Domestic and Foreign Corporations.

Franchise Tax based on net income. Second instalment due on or before September 15.—Domestic and Foreign Corporations.

CONNECTICUT—Annual Report due on or before August 15 (if corporation was organized or qualified between July and December 31 of any previous year).—Domestic and Foreign Corporations.

DELAWARE—Annual Franchise Tax due between April 1 and July 1.—Domestic Corporations.

DOMINION OF CANADA—Return of Employers due on or before October 15.—Domestic and Foreign Corporations.

GEORGIA—Certified Statement for Registration due on or before November 1.—Domestic and Foreign Corporations.

IDAHO—Annual Statement due between July 1 and September 1.—Domestic and Foreign Corporations.

Annual License Tax due between July 1 and September 1.—Domestic and Foreign Corporations.

ILLINOIS—Annual Franchise Tax due on or before July 1, but may be paid up to July 31 without penalty.—Domestic and Foreign Corporations.

INDIANA—Annual Report due within 30 days after June 30.—Domestic and Foreign Corporations.

Quarterly Gross Income Tax Returns and Payments due on or before July 31 and October 31.—Domestic and Foreign Corporations.

IOWA—Annual Report due between July 1 and August 1.—Domestic and Foreign Corporations.

Statement of Capital and Property Increase due at the time of filing the Annual Report in July.—Foreign Corporations.

Report of Transfers of stock due on or before July 1.—Domestic Corporations.

Quarterly Retail Sales Tax Returns and Payments due on or before July 20 and October 20.—Domestic and Foreign Corporations.

KENTUCKY—Statement of Existence due on or before July 1.—Foreign Corporations.

Verification Report as to Process Agent due on or before July 1.—Domestic and Foreign Corporations.

List of Resident Stockholders and Bondholders due on or before August 1.—Domestic and Foreign Corporations.

LOUISIANA—Franchise Tax Report and Tax due on or before October 1.—Domestic and Foreign Corporations.

MAINE—Annual Franchise Tax due September 1; delinquent one month later.—Domestic Corporations.

MASSACHUSETTS — Second Instalment of Excise Tax due on or before October 20. —Domestic and Foreign Corporations.

MICHIGAN—Annual Report and Franchise Tax due during July and August.—Domestic and Foreign Corporations.

Report of Unclaimed Moneys, Securities, Credits, etc., due on or before June 30.—Domestic and Foreign Corporations.

MISSISSIPPI—Annual Report and Fee to Factory Inspector due in July.—Domestic and Foreign Corporations employing 5 or more persons in Mississippi.

Annual Franchise Tax Report and tax due on or before July 15.—Domestic and Foreign Corporations.

MISSOURI—Annual Statement, Registration and Anti-Trust Affidavit due during July.—Domestic and Foreign Corporations.

MONTANA—Annual License Tax based on net income due on or before June 15.—Domestic and Foreign Corporations.

NEBRASKA—Annual report and Franchise (Occupation) Tax due on or before July 1.—Domestic Corporations.

Annual Report and Franchise (Occupation) Tax due during July.—Foreign Corporations.

NEVADA—Annual List of Officers and Designation and Acceptance of Resident

Agent due on or before July 1.—Domestic and Foreign Corporations.

NEW JERSEY—Franchise Tax Return and Tax due on or before August 15.—Foreign Corporations.

NORTH CAROLINA—Annual Franchise Tax Report and Tax due on or before July 31.—Domestic and Foreign Corporations.

NORTH DAKOTA—Corporation Report due during July.—Domestic Corporations.

Quarterly Retail Sales Tax Returns and Payments due on or before July 20 and October 20.—Domestic and Foreign Corporations.

OHIO—Annual Franchise Tax due on or before July 15.—Domestic and Foreign Corporations.

Retail Sales Tax Returns and Vendors' Excise Tax due on or before July 31.—Domestic and Foreign Corporations.

OKLAHOMA—Annual Capital Stock Affidavit due between July 1 and August 1.—Foreign Corporations.

Annual License Tax Report and Tax due on or before August 31.—Domestic and Foreign Corporations.

Annual License Fee due within 30 days after July 15.—Domestic Corporations.

Annual License Fee due between July 1 and August 15.—Foreign Corporations.

RHODE ISLAND—Corporate Excess Tax due July 1; delinquent after July 15.—Domestic and Foreign Corporations.

Semi-Annual Report to Department of Labor due in October and April.—Domestic and Foreign Corporations employing five or more persons in Rhode Island.

TENNESSEE—Annual Privilege (Franchise) Tax Return and Payment and Annual Report and Tax due on or before July 1. —Domestic and Foreign Corporations.

Excise Tax Report and Tax due on or before July 1.—Domestic and Foreign Corporations.

Report of Dividends paid to residents due on or before July 1.—Domestic and Foreign Corporations.

UNITED STATES—Capital Stock Tax Return and Payment due on or before July 31.—Domestic and Foreign Corporations.

UTAH—Annual Report to the Industrial Commission due in July.—Domestic and Foreign Corporations employing 3 or more persons in Utah.

WASHINGTON—License Fee due on or before July 1.—Domestic and Foreign Corporations.

WEST VIRGINIA—License Tax Statement due on or before July 1.—Domestic Corporations.

Annual License Tax due on or before July 1.—Domestic and Foreign Corporations.

Fee to State Auditor as Attorney in Fact due on or before July 1.—Foreign Corporations and those Domestic Corporations whose principal places of business or chief works are located in other states.

Quarterly Business and Occupation (Gross Sales) Tax Returns and Payments due on or before July 30 and October 30.—Domestic and Foreign Corporations.

WISCONSIN—Second instalment of Income Tax due on or before August 1.—Domestic and Foreign Corporations.

WYOMING—Annual Statement and License Tax due on or before July 1.—Domestic and Foreign Corporations.

Business Thermometer

Wholesalers' Sales, Inventories, and Collections

April 1943

Sales of 2,728 wholesalers representing most kinds of business gained slightly (3%) in April, 1943, compared with April a year ago, according to an announcement released today by J. C. Capt, Director of the Census. For the first four months of this year sales were up 4 per cent over those for the like period of 1942, but remained at approximately the same level in April as in March this year.

This monthly study is conducted jointly by the National Association of Credit Men and the Bureau of the Census. Detailed figures are presented in the following table in summary for the United States, and, insofar as the data permit without disclosing individual operations, by geographic divisions.

On a year-to-year comparison, sales in April were higher by 2 to 59 per cent for 27 of the 35 trades presented separately in this survey, and lower by 3 to 28 per cent for 7 trades. One (hardware, industrial supplies) showed the sales level virtually unchanged. Noteworthy gains in dollar volumes were revealed by wholesalers of confectionery, 59 per cent; coal, 47 per cent; beer, 39 per cent; wines and liquors, 31 per cent; fresh fruits and vegetables, 29 per cent; jewelry, 23 per cent; drugs and sundries (liquor excluded), 22 per cent; metals, 21 per cent; specialty lines of groceries and foods, 19 per cent; tobacco and its products, 16 per cent; dry goods and full-line wholesalers of groceries and foods, each 15 per cent. Voluntary-group wholesalers of groceries and foods recorded a 12 per cent increase; wholesalers of automotive supplies, 6 per cent; of meats and meat products and paper and its products, 4 per cent each; and of clothing and furnishings, except shoes, 3 per cent. Both wholesalers of shoes and other footwear and of machinery, equipment, and supplies (except electrical) noted declines in sales of 3 per cent; wholesalers of lumber and building materials, 9 per cent; of general hardware, 11 per cent; of electrical goods, 24 per cent; and of plumbing and heating supplies, 25 per cent.

At the close of April, 1943, inventories, in terms of dollars based on cost values, were 23 per cent under their April, 1942, level, but only slightly below the level of the preceding month.

The stock-sale ratio for wholesalers at the end of this April was 108; at the end of last April, 143; and at the end of March, 1943, 108. Of the 32 trades for which stock-sales ratios are shown, only 2 (wholesalers of tobacco and its products and optical goods) registered increases, April, 1943, against April, 1942. Wholesalers of chemicals, with an 18 per cent gain in sales and 10 per cent less inventory, showed a stock-sales ratio of 97 for this April as against 133 last April. With sales up slightly (2%) and inventories down 16 per cent, wholesalers of paints and varnishes revealed a ratio of 152 for April, 1943, and 186 for April, 1942. Wholesalers of furniture and house furnishings disclosed a stock-sales ratio of 94 for April, 1943, and of 140 for April, 1942, reflecting a 28 per cent decline in sales and a 54 per cent decline in inventories. Dairy and poultry products wholesalers showed sales up 20 per cent, inventories down 26 per cent, and on April, 1943, stock-sales ratio of 31 vs. an April, 1942, ratio of 47.

Collections on accounts receivable were up more than 29 per cent for April, 1943, compared with April, 1942, and up nearly 3 per cent compared with the preceding month. The collection ratio for April, 1943, was 109; for April, 1942, 84; and for March, 1943, 106. Accounts receivable were 17 per cent less as of April 1, 1943, than as of April 1, 1942; but at the beginning of this April were at approximately the same level as of March 1, 1943.

Wholesalers' Sales and Inventories—April 1943

Kind of Business	Sales—Current Month: Number of firms reporting sales	Sales—Current Month: Percent Change April 1943 vs. April 1942	Sales—Current Month: Percent Change April 1943 vs. March 1943	Sales—Current Month: April 1943 (Add 000)	Sales—Year-to-Date: Percent change from 4 Mos. 1942	Sales—Year-to-Date: Four Months 1943 (Add 000)	Inventory—End-of-Month (At Cost): Number of firms reporting stocks	Inventory: Percent Change April 1943 vs. April 1942	Inventory: Percent Change April 1943 vs. March 1943	Inventory: April 30, 1943 (Add 000)	Stock-Sales Ratios a: April 1943	Stock-Sales Ratios a: April 1942	Stock-Sales Ratios a: March 1943
United States	2,728	+ 3	b	$302,182	+ 4	$1,377,429	1,733	−23	− 2	$200,619	108	143	108
Automotive Supplies	198	+ 6	+ 5	4,351	− 3	18,329	102	−26	b	3,551	171	259	178
Chemicals (industrial)	17	+18	− 3	1,309	+ 3	7,889	13	−10	− 3	1,034	97	133	100
Paints and Varnishes	29	+ 2	+ 9	1,068	+ 4	11,112	15	−16	+ 1	1,300	152	186	161
Clothing and Furnishings, except Shoes	45	+ 3	−14	4,141	− 2	15,966	22	−38	− 4	868	76	151	69
Shoes and Other Footwear	29	− 3	+10	18,825	+ 1	70,096	17	−40	−12	3,674	43	76	47
Coal	7	+47	−13	1,279	+38	5,583	c	c	c	c	c	c	c
Drugs and Sundries (liquor excluded)	127	+22	− 5	25,060	+17	103,901	98	+ 8	+ 3	32,215	161	184	150
Dry Goods	95	+15	− 7	19,103	+23	78,283	50	−34	− 1	14,135	121	216	114
Electrical Goods	302	−24	+ 2	26,227	−26	104,676	264	−55	− 3	13,198	53	92	56
Dairy and Poultry Products	28	+20	−16	2,208	+24	11,626	18	−26	− 4	309	31	47	26
Fresh Fruits and Vegetables	88	+29	b	4,823	+34	20,048	60	+ 8	−14	492	15	17	16
Farm Supplies	8	+22	−38	1,884	+35	8,257	c	c	c	c	c	c	c
Furniture and House Furnishings	54	−28	−11	5,407	−12	29,124	30	−54	−11	3,956	94	140	93
Groceries and Foods, except Farm Products	610	+14	+ 1	56,291	+11	268,841	377	−17	− 2	42,733	134	182	137
Full-line Wholesalers d	306	+15	+ 1	24,892	+14	108,990	185	−18	− 3	19,510	133	186	136
Voluntary-group Wholesalers	146	+12	+ 3	21,310	+ 4	91,315	100	−17	− 2	17,696	159	207	160
Retailer-cooperative Warehouses	17	+ 9	− 9	3,673	+ 2	17,092	10	−18	+ 4	2,392	124	158	117
Specialty Lines	141	+19	b	6,416	+24	51,444	82	− 9	− 5	3,135	77	105	83
Confectionery	37	+59	− 4	1,222	+50	4,810	23	−30	−13	234	45	90	51
Meats and Meat Products	82	+ 4	+ 6	34,636	+ 9	143,757	59	−22	b	5,644	46	60	46
Beer	70	+39	+ 9	1,923	+37	6,599	52	− 4	− 7	478	31	44	36
Wines and Liquors	23	+31	b	3,754	+44	33,997	15	+ 6	+ 1	4,682	150	183	156
Liquor Department of Other Trades e	37	+32	−14	7,061	+34	31,557	35	−30	− 7	7,041	100	190	93
Total Hardware Group	349	−11	b	38,436	−10	171,966	219	−28	− 2	38,437	155	187	157
General Hardware	134	−11	b	22,405	−13	98,331	83	−31	− 3	26,355	170	211	172
Industrial Supplies	107	+ 1	+ 3	10,259	+ 1	50,051	68	−14	+ 1	8,766	135	162	140
Plumbing and Heating Supplies	108	−25	− 5	5,772	−17	23,584	68	−35	− 3	3,316	120	121	112
Jewelry	34	+23	+ 4	2,234	+19	8,945	18	− 3	+26	2,249	203	266	151
Optical Goods	16	+17	+ 4	256	+ 8	1,168	7	+ 2	+ 1	100	189	188	183
Lumber and Building Materials	55	− 9	+ 5	4,138	− 5	16,545	36	−19	− 2	2,618	101	112	107
Machinery, Equipment, and Supplies, except Electrical	68	− 3	+ 2	3,393	− 8	13,994	46	−30	− 3	3,457	127	175	136
Surgical Equipment and Supplies	18	+ 8	− 4	384	+11	4,522	12	− 2	+ 3	428	185	204	177
Metals	31	+21	+13	5,764	+ 9	22,370	16	+12	− 4	4,671	106	117	124
Paper and Its Products	88	+ 4	− 1	6,547	−11	27,236	45	− 8	b	4,763	135	145	132
Petroleum	8	−15	− 9	627	− 4	61,857	4	−10	+ 3	236	59	70	58
Tobacco and Its Products	138	+16	− 2	17,068	+17	63,033	56	+20	− 6	5,466	64	61	69
Leather and Shoe Findings	17	+10	− 9	488	+18	1,974	c	c	c	c	c	c	c
Miscellaneous	20	+ 5	+ 4	2,275	+ 5	9,368	24	−21	− 1	2,660	137	172	115

a These stock-sales ratios are percentages obtained by dividing stocks by sales for an identical group of firms. b Less than 0.5 percent.
c Insufficient data to show separately. d Not affilated with voluntary or cooperative groups. e Chiefly of the wholesale drug trade.

Wholesalers' Accounts Receivable and Collections—April 1943

Kind of Business	Number of firms reporting	Collection Percentages a: April 1943	Collection Percentages a: April 1942	Collection Percentages a: March 1943	Accounts Receivable: Percent change April 1943 vs. April 1942	Accounts Receivable: Percent change April 1943 vs. March 1943	Accounts Receivable: As of April 1, 1943 (Add 000)
United States	2,250	109	84	106	−17	− 1	$239,689
Automotive Supplies	152	87	73	86	−13	+ 5	3,208
Chemicals (industrial)	16	94	76	90	−13	− 2	1,227
Paints and Varnishes	28	62	53	59	−16	+11	1,471
Clothing and Furnishings, except Shoes	41	82	66	99	−19	+ 8	4,962
Shoes and Other Footwear	26	85	61	73	−27	− 1	11,306
Coal	7	96	77	93	+28	+ 7	1,572
Drugs and Sundries (liquor excluded)	116	98	74	100	− 9	+ 4	22,904
Dry Goods	86	74	57	74	− 7	+ 1	24,618
Electrical Goods	283	78	76	76	−19	b	31,824
Dairy and Poultry Products	21	188	155	217	+ 1	− 3	968
Fresh Fruits and Vegetables	72	175	142	184	+14	+ 4	1,764
Farm Supplies	5	112	98	126	+21	+34	2,381
Furniture and House Furnishings	43	85	62	86	−42	− 1	5,806
Groceries and Foods, except Farm Products	453	146	104	136	−18	− 9	30,543
Full-line Wholesalers c	213	138	97	125	−15	−11	14,129
Voluntary-group Wholesalers	117	156	107	145	−24	−10	11,013
Retailer-cooperative Warehouses	15	206	167	213	− 9	− 2	1,623
Specialty Lines	108	126	94	122	− 9	b	3,778
Confectionery	20	112	76	114	−11	+ 9	469
Meats and Meat Products	75	233	183	192	− 5	−10	15,467
Beer	32	142	109	130	− 4	+ 7	385
Wines and Liquors	18	151	98	139	−14	−13	2,091
Liquor Department of Other Trades d	33	144	74	133	−14	−10	6,156
Total Hardware Group	323	88	72	88	−26	+ 4	39,294
General Hardware	123	91	69	91	−33	+ 3	22,034
Industrial Supplies	95	88	82	89	− 4	+ 4	9,950
Plumbing and Heating Supplies	105	80	71	79	−25	+ 4	7,310
Jewelry	24	63	32	65	−37	+ 7	1,627
Optical Goods	13	93	68	81	−13	+ 4	228
Lumber and Building Materials	52	91	72	91	−19	+ 7	4,064
Machinery, Equipment, and Supplies, except Electrical	59	83	71	81	−20	− 3	3,472
Surgical Equipment and Supplies	17	66	52	60	−19	+ 5	512
Metals	29	108	111	122	+ 9	+10	5,002
Paper and Its Products	76	87	80	84	−18	+ 3	6,449
Petroleum	6	127	108	136	−24	+14	436
Tobacco and Its Products	94	167	131	165	− 8	− 2	7,576
Leather and Shoe Findings	15	92	59	86	−24	+ 3	407
Miscellaneous	15	87	83	90	−12	−16	1,500

a Collection percentages are obtained by dividing the collections by accounts receivable for an identical group of firms.
b Less than 0.5 percent. c Not affiliated with voluntary or cooperative groups. d Chiefly of the wholesale drug trade.